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Decision 03-03-007 March 13, 2003

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southwest Gas Corporation (U 905 G) for Authority to Adjust Public Purpose Program Surcharges.	Application 02-07-009 (Filed July 1, 2002)
In the Matter of the Application of PACIFICORP for Approval of Post – 2002 Low Income Energy Efficiency Program and CARE Program Funding.	Application 02-07-013 (Filed July 1, 2002)
In the Matter of the Application of SIERRA PACIFIC POWER COMPANY (U903) for an Order Approving Its Low-Income Public Purpose Program Plan and Budget.	Application 02-07-016 (Filed July 2, 2002)
In the Matter of the Application of Southern California Water Company (U 133 E) Regarding Low-Income Assistance Programs for its Bear Valley Electric Service Customers for Program Year 2003.	Application 02-07-017 (Filed July 3, 2002)
Application of Avista Corporation dba Avista Utilities regarding its 2003 Program Year Plan and Budgets for C.A.R.E. and L.I.E.E.	Application 02-07-018 (Filed July 2, 2002)
Application of Alpine Natural Gas Company to Comply with R.01-08-027 Orders.	Application 02-11-024 (Filed November 7, 2002)
Application of West Coast Gas Company for Approval of Post 2002 CARE Participation Goals, LIEE Program Proposal and Balancing Account Ratemaking Proposal. (U-910-G)	Application 02-11-050 (Filed November 27, 2002)

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FINAL OPINION: POST-2002 LOW-INCOME ASSISTANCE PROGRAMS FOR SMALL AND MULTI-JURISDICTIONAL UTILITIES

1. Introduction and Summary[1]

By Decision (D.) 01-05-033, we adopted a rapid deployment strategy for utility low-income energy efficiency and rate discount programs, referred to as the Low-Income Energy Efficiency (LIEE) and California Alternate Rates for Energy (CARE) programs, respectively. In that decision, we augmented the utility budgets for LIEE and CARE utilizing the funding appropriated by the Legislature via Senate Bill X1 5, referred to as "SB5" in this decision.[2] Among other things, SB5 provides a one-time appropriation of $100 million to supplement the funding collected in rates for CARE discounts and outreach efforts. In addition, SB5 provides a one-time increase to the LIEE program of $20 million and another $50 million for appliance replacement and other energy efficiency measures. By D.01-05-033, we allocated $25 million of the SB5 appliance replacement funds to further supplement LIEE budgets during the energy crisis.

In D.01-05-033, we set aside $5 million of the additional LIEE funding provided via SB5 to be allocated all or in part to the small and multi-jurisdictional electric and gas utilities under the Commission's jurisdiction for rapid deployment activities. These are: Alpine Natural Gas Company (Alpine), Avista Utilities (Avista), Bear Valley Electric Service Company (Bear Valley or BVEC),[3]

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[1] Attachment 1 presents a list of abbreviations and acronyms used in this decision.

[2] SB5 was passed by the Legislature on April 5, 2001 during the First Extraordinary Session (Stats. 2001, Ch. 7), and signed by the Governor on April 11, 2001.

[3] Bear Valley is operated by Southern California Water Company.

Mountain Utilities, PacifiCorp, Sierra Pacific Power Company (Sierra Pacific), Southwest Gas Company (Southwest Gas or SWG) and West Coast Gas Company (West Coast Gas or WCG). We refer to these small and multi-jurisdictional utilities collectively throughout this decision as "the SMJUs."

By D.01-05-033, we directed Energy Division to develop recommendations concerning the allocation of the $5 million in LIEE funding set-aside for the SMJUs as well as for the $100 million in SB5 supplemental CARE funds. In D.01-08-065 and D.02-08-051 we adopted rapid deployment program plans and budgets for the SMJUs and allocated SB5 funds to these utilities.[4] By D.02-12-011, we authorized the continuation of the rapid deployment activities until we had an opportunity to consider Energy Division's recommendations on post-2002 program plans and parties' comments on those recommendations.

Today, we adopt CARE penetration targets and funding levels for the SMJUs' LIEE and CARE programs, as follows:

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[4] In D.02-08-051, we found that Mountain Utilities should not be required to initiate low-income assistance programs at this time, given the unique resort nature of its service territory, housing stock and customer base. Therefore, there is no discussion of Mountain Utilities in today's decision.

TABLE 1: Adopted CARE Penetration Rate Targets (PY2003, PY2004)

Utility	2003 Target	2003 Projected Enrolled	2003 Incremental Increase	2004 Target	2004 Projected Enrolled	2004 Incremental Increase
Avista	70%	846	235	85%	1,027	181
PacifiCorp	60%	8,556	5,796	70%	9,982	1,426
Sierra Pacific	80%	1,840	511	90%	2,070	230
Bear Valley	75%	1,522	422	85%	1,726	204
Southwest Gas	91%	22,936	2,769	93%	23,440	504
Alpine	100%	22	9	100%	33	11
West Coast Gas	100%	20	12	100	25	5

TABLE 2: Proposed and Authorized Funding Levels for CARE and LIEE

	CARE PROGRAM						LIEE PROGRAM			
	Utility Proposed		Authorized				Utility Proposed		Authorized	
	PY 2003		PY 2003		PY 2004		PY 2003		PY 2003	
Utility	SB 5	Non SB 5	SB 5	Non-SB 5	SB 5(1)	Non-SB 5(1)	SB 5	Non-SB 5	SB 5	Non-SB 5
Avista	$10,000	$36,100	$10,000	$36,100	$0	$46,100	$116,000	$81,980	$116,000	$81,980
PacifiCorp	$42,500	$22,000	$56,500	$22,000	$0	$78,500	$121,450	$88,550	$121,450	$108,332
Sierra	$15,000	$11,824	$15,000	$11,824	$10,000	$16,824	$1,056,572	$100,000	$1,056,572	$100,000
BVES	$50,000	$1,000	$50,000	$2,400	$20,000	$32,400	$409,992	$0	$409,992	$0
SWG	$124,213	$124,003	$124,213	$34,003	$35,000	$123,216	$1,604,220	$510,000	$1,604,220	$500,000
WCG(2)	$0	$2,600	$1,500	$1,100	$740	$1,860	$0	$0	$0	$0
Alpine(2)	$0	$3,627	$0	$3,627	$0	$3,627	$0	$0	$0	$0
TOTAL	$241,713	$201,154	$257,213	$111,054	$65,740	$302,527	$3,308,234	$780,530	$3,308,234	$790,312

(1) Figures in this column are estimates based on remaining SB 5 funds after PY 2002 and PY 2003.
(2) WCG and Alpine do not have LIEE programs established and refer low-income customers to outside agencies.

Sierra Pacific and Southwest Gas request rate increases at this time to fund their Program Year (PY) 2003 program plans. We authorize Southwest Gas to increase ratepayer collections in the amount of $ $5,673,923 to cover the costs of CARE administration, rate subsidies, CARE balancing account under-collections and LIEE program costs for PY2003. Sierra Pacific is authorized to increase rates to collect an additional $65,000 to cover the costs of its PY2003 CARE and LIEE programs within California, including CARE rate subsidies. The surcharge to recover these authorized increases will be calculated as part of Southwest Gas' and Sierra Pacific's pending general rate cases, Application (A.) 02-02-012 and A.01-06-041, respectively.

As discussed in this decision, CARE program costs will be recovered through two-way balancing accounts and LIEE program costs will be recovered through one-way balancing accounts. The SMJUs that do not currently have these balancing accounts in place (West Coast Gas, PacifiCorp and Sierra Pacific for CARE; Southwest Gas and PacifiCorp for LIEE) are directed to file Advice Letters within 30 days to establish them.

We further direct the SMJUs to file advice letters by September 15, 2003 for rate increases that will enable them to continue today's adopted level of CARE program funding through 2004, once SB5 funds have been exhausted. We limit today's authorization for LIEE funding to PY2003, given the relatively new status of some of the SMJUs' LIEE programs and the lack of sufficient information to evaluate program plans and funding beyond the coming year. Each of the SMJUs are required to file applications for PY2004 LIEE program plans and budgets by July 1, 2003 for our consideration.

As discussed below, we adopt additional Energy Division's recommendations regarding reporting and other issues. In particular, we adopt Energy Division's recommendation that the Commission conduct a financial and management audit of the SMJUs' PY2003 and PY2004 low-income assistance programs, and establish a schedule for that purpose. The costs of these audits will be recovered by ratepayers through the program balancing accounts, consistent with the procedures established for the audits ordered in D.02-09-021.

2. Procedural Background and Determination that No Hearings are Required

By ruling dated April 19, 2002, the Assigned Commissioner directed Southwest Gas, PacifiCorp, Sierra Pacific, Bear Valley and Avista to file proposals for post-2002 LIEE and CARE activities and budgets, and directed Energy Division to hold workshops on the proposals and develop recommendations for Commission consideration. These utilities filed their program plans on July 1, 2002. No comments or protests were filed in response. A prehearing conference was held on July 22, 2002.

Energy Division held a public workshop on August 15, 2002, and continued to gather additional data and program information from the utilities after the workshop in order to finalize its recommendations. Energy Division filed and served a draft workshop report on October 31, 2002. Comments were filed by the Office of RatepayerAdvocates, Southwest Gas, Avista and Sierra Pacific on November 20, 2002. Energy Division issued its final workshop report (Workshop Report), which included some clarifications and corrections in response to the comments, on December 20, 2002.

By D.02-08-051, the Commission directed Alpine and West Coast Gas to work with Energy Division to prepare post-2002 program applications for Commission consideration. Alpine filed its application on November 7, 2002 and West Coast Gas filed on November 18, 2002. No comments or protests were filed in response to these applications.

The Commission preliminarily determined that a hearing would be needed to address the low-income assistance issues submitted in A.02-07-009 and A.02-07-016.[5] In the Assigned Commissioner's Ruling and Scoping Memo dated August 21, 2002, Commissioner Wood adopted a procedural approach that would not require evidentiary hearings. We have considered our preliminary

[5] See Resolutions ALJ 176-3091 and 176-3092.

determinations in this matter and find that a hearing is not needed to address the low-income assistance issues addressed in today's decision.

3. SMJU Proposals and Energy Division Recommendations

In the following sections, we briefly describe the SMJUs' proposals for CARE penetration, CARE program plans, LIEE program plans and ratemaking treatment, along with Energy Division recommendations. A more detailed description of these proposals can be found in Energy Division's Workshop Report.

3.1. CARE Penetration Rates

Alpine provides natural gas service to approximately 750 customers in Calaveras County, located in the Sierra Foothills. PG&E provides these customers with electric service. Alpine reports that its service territory reflects higher incomes, a greater percentage of retirees and a preponderance of two-income families, which results in a much smaller CARE eligible population than is experienced statewide. Alpine estimates that a total of 22, or 2.9%, of its customers will be eligible for CARE in 2003. It proposes to enroll 7 additional households into CARE during 2003 in order to achieve a 93% penetration rate.

Avista provides natural gas service to approximately 17,000 residential customers in its South Lake Tahoe service territory. Avista estimates that 1,208 households, or 7% of its customers, are CARE-eligible, and proposes to enroll 113 new households during 2003, thereby increasing its penetration rate from 50% to 60%.

Bear Valley provides electric service to approximately 6,700 active, full-time residents in the Big Bear area and estimates that 2,030, or 30% of its customers, are CARE-eligible. Bear Valley has a current program penetration rate of 49% and proposes to increase the rate to 59% during PY2003. To achieve this increase, Bear Valley plans to enroll 100 new customers in the program during the year.

PacifiCorp provides electric service to approximately 32,000 residential customers within California, and estimates that 14,260 (approximately 45%) are CARE-eligible. PacifiCorp proposes to increase its penetration rate from approximately 20% to 50% for PY2003, by adding 4,140 customers to the CARE program during 2003.

Sierra Pacific provides electric service to approximately 39,000 residential customers located primarily in the Lake Tahoe basin, with about half representing vacation or rental properties. Sierra estimates that 2,300 (approximately 6%) of its residents are CARE-eligible, and proposes to increase penetration rate to 75% for PY2003, by enrolling 350 new customers during 2003.

Southwest Gas serves 127,000 customers in California, 107,000 of which reside in San Bernardino County. That county has among the lowest per capita incomes in the state, and Southwest Gas estimates that approximately one in five households (for a total of 24,204 within its service territory) are CARE-eligible. Southwest proposes to add 514 customers to CARE during 2003 in order to achieve a penetration rate of 80% for PY2003.

West Coast Gas serves 1,300 new single-family homes on the former Mather Air Force Base (now called the "Wherry Area"). West Coast Gas currently serves 800 homes in this housing area, and expects by year-end 2003 to be serving 1,000 to 1,200 customers. West Coast Gas estimates that a total of 20 homes will be CARE-eligible in 2003, and proposes to achieve a 100% penetration rate by adding 12 new customers to the program during the year.

Energy Division recommends that each of the SMJUs strive to enroll 100% of their CARE-eligible population, consistent with the Commission's direction in D.02-07-033. To this end, Energy Division recommends that the Commission adopt PY2003 penetration rate targets that are generally higher than those proposed by the SMJUs, along with specific targets for PY2004. Energy Division's recommendations are presented below. We include incremental enrollment figures for Alpine and West Coast Gas that are consistent with the 100% goal reflected in Energy Division's Workshop Report for the other SMJUs.

Energy Division's Recommended Penetration Rate Targets

Utility	2003 Target	2003 Projected Enrolled	2003 Incremental Increase	2004 Target	2004 Projected Enrolled	2004 Incremental Increase
Avista	70%	846	235	85%	1,027	181
PacifiCorp	60%	8,556	5,796	70%	9,982	1,426
Sierra Pacific	80%	1,840	511	90%	2,070	230
Bear Valley	75%	1,522	422	85%	1,726	204
Southwest Gas	91%	22,936	2,769	93%	23,440	504
Alpine	100%	22	9	100%	33	11
West Coast Gas	100%	20	12	100%	25	5

The 2003 and 2004 incremental increases in enrollments, as presented above, do not include the number of customers that will need to be re-certified to maintain these target penetration rates.

3.2. CARE Program Plans and Funding Levels

Attachment 2 presents the level of SB5 funds allocated to each SMJU for their CARE programs per D.01-08-065 and D.02-08-051, projected overall administrative expenditures for 2002, the SMJUs' administrative budget proposals for PY2003 and Energy Division recommendations for both PY2003 and PY2004. These tables indicate the levels of both SB5 and ratepayer funding associated with each budget proposal.

The program budgets discussed below address CARE program administrative costs, including the costs of outreach activities, processing applications, certifying the eligibility of new applicants, re-certifying customers, conducting post-enrollment income verification, where applicable, and other general administrative functions. They do not include the costs associated with the CARE rate discount. These discounts, also referred to as CARE subsidy costs, are treated as "pass through" expenses and are recovered via CARE balancing accounts without prior Commission review or authorization.[6]

3.2.0. SMJU Proposals

Alpine's CARE program has been in existence for some time, but only recently has the utility developed CARE applications for distribution to their customer base and other procedures for informing customers of the program, at the Commission's direction. Per D.02-08-051, Alpine was allocated $2,895 in SB5 funds for the outreach costs associated with mailing program information, printing CARE notices on bills and printing a CARE outreach flyer, developing and printing customer CARE application forms and notifying customers as they call in for service for the CARE program. Alpine plans to continue these activities during PY2003, and proposes a total CARE program budget of $3,627 to cover outreach, processing of applications, certification / verification and other administrative activities.

To implement its CARE program, Avista currently refers customers to the Department of Community Services and Development (DCSD) and contracts with DCSD to determine customer eligibility, to process applications and to re-certify customers within Avista's service territory. Avista plans to implement several new outreach activities during 2003 in order to increase program penetration rates and re-certify existing eligible customers more effectively.

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6 As discussed further in Section 4.4 below, Sierra Pacific, PacifiCorp and West Coast Gas are currently without a CARE balancing account, and we are directing them to establish one in today's decision.

These include: expanded contracting with community-based agencies and staffing to develop a stronger local presence, additional training for call center customer representatives, additional reporting and automated data queries to identify those who have fallen off the CARE rate, improved data exchange arrangements with Sierra Pacific, and expanded door-to-door outreach efforts by meter readers.

Beginning in 2003, Avista will also be contracting with the Tahoe Branch of the County of El Dorado Community Services (CEDCS) for certification and enrollment. In addition, because Avista's current staff is located in Medford, Oregon, Avista proposes to appoint a part-time staff person in South Lake Tahoe to serve as a liaison with CEDCS, at a cost of approximately $7,200. Avista proposes to increase total annual CARE program expenditures from $25,484 to $46,100 in order to implement these improvements. Avista plans to apply the remaining $10,000 in SB5 funds during PY2003 towards this increase, with the rest funded by ratepayers.

Like Avista, Sierra Pacific refers all potential CARE customers to DCSD. Sierra Pacific proposes a PY2003 program budget of $26,824, which is $7,666 higher than it projected for 2002 expenditures. Sierra explains that most of this increase is due to expanded outreach activities, including a full service CARE contract with DCSD signed in early September 2002. Sierra Pacific currently informs its customers of the program by including quarterly messages in customer bills and providing an on-hold phone message that informs callers of the CARE program while they are waiting for customer assistance. During 2003, Sierra Pacific plans to augment these efforts by including CARE inserts with all checks sent to Aid for Families with Dependent Children recipients, by printing a CARE program message on its billing envelope and by distributing program material to community-based organizations, schools, medical offices and welfare offices within its service territory. Sierra Pacific plans to use $15,000 of SB5 funding during PY2003 towards these efforts, with the remaining $11,824 funded by ratepayers via the public purpose surcharge.

PacifiCorp also refers customers to DCSD to certify and enroll CARE customers within its service territory. PacifiCorp plans to continue the CARE outreach efforts it initiated in 2002, i.e., bill inserts, advertisements placed in local newspapers, and the distribution of flyers to local non-profit agencies. In its application, PacifiCorp proposes a PY2003 CARE program budget of $64,500, of which $42,500 would be funded with remaining SB5 funds. PacifiCorp's proposal represents an increase of $2,000 relative to its projections of PY2002 expenditures.

Bear Valley performs all the printing and mailing of CARE applications in-house, as well as the certification and re-certification process to determine program eligibility. In 2003, Bear Valley plans to continue these in-house activities and expand outreach efforts by working closely with community-based organizations and the County of San Bernadino Community Services Department. Out of the $80,000 allocated to its CARE program by D.01-08-065, Bear Valley plans to utilize $50,000 for CARE outreach activities in 2003, including an expanded capitation fee program with community-based organizations and agencies.[7] Bear Valley proposes to maintain ratepayer funding at current levels ($1,000), for a total PY2003 CARE budget of $51,000.

Southwest Gas also processes all CARE applications in-house, and has recently begun providing prepaid postage applications to its customers.

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[7] "Capitation" refers to the payment of fees by the utility to reimburse organizations that serve the eligible population with social services (e.g., meals-on-wheels) for the administrative costs associated with enrolling CARE participants.

Currently, Southwest informs its customers of the CARE program by providing toll-free information lines, on-hold messages, quarterly bill messages, annual CARE application bill inserts and new customer welcome packets. During 2003, the prepaid applications will also include source codes to track capitation and other sources of new enrollments, as well as cross-reference information with electric utilities. Southwest will continue to conduct community outreach through local media and plans to initiate a broad radio campaign to further increase enrollments. For PY2003, Southwest proposes a total program budget of $248,216, funded in nearly equal amounts with SB5 appropriations and ratepayer funds.

West Coast Gas initiated its CARE program in 2001, when the first residential customer moved into the new Wherry housing area. By D.02-08-051, the Commission allocated $2,240 of SB5 funds to West Coast Gas to prepare, print and mail CARE application forms and outreach materials, and to install a CARE voice-messaging system. For PY2003, West Coast Gas proposes to continue with its current efforts to inform customers of the program, which include notifying customers of the CARE program at the date of sign up, providing information on the CARE program when customers call and are placed on hold, and sending notices on the face of its gas bill. West Coast Gas proposes a total budget of $2,600 for PY2003, which includes funding for outreach activities, processing applications and re-certifying customers. West Coast Gas proposes that all of its PY2003 budget be funded by ratepayers through the public purpose charge.

3.2.1. Energy Division Recommendations[8]

In Energy Division's view, the referral approach implemented by Avista, Sierra Pacific and PacifiCorp is inconsistent with the practices established by the Commission for low-income assistance programs. Energy Division therefore recommends that these utilities utilize some of the SB5 funds to print and mail applications, and implement self-certification and post-enrollment verification in-house. Energy Division believes that this in-house approach, coupled with adequate advertisement of the program, should help increase participation rates.

Energy Division also recommends some adjustments to the SMJUs' proposed use of SB5 funds, as well as the overall level of program budgets for PY2003. In particular, Energy Division recommends that PacifiCorp conduct a more aggressive SB5 funded outreach approach during 2003, noting that many of PacifiCorp's CARE-eligible customers are not receiving assistance. Because PacifiCorp has a low CARE participation rate, Energy Division reasons that many of PacifiCorp's unenrolled, eligible customers will be easier to reach than those of the SMJUs with higher participation rates. In Energy Division's view, PacifiCorp should budget an additional $28,000 in SB5 funding during 2003 for outreach activities in order to increase enrollment rapidly. Energy Division proposes to accomplish this increase by shifting SB5 funding from PacifiCorp's other CARE budget categories, including unexpended amounts during PY2002. For PY2003, Energy Division recommends that PacifiCorp's ratepayer-funded budget

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[8] Energy Division's report does not address the proposed CARE programs of Alpine and West Coast Gas because they filed their applications well after the workshops, per the schedule established in D.02-08-051.

continue at current levels ($22,000) with SB5 funds making up the difference for total PY2003 CARE budget of $78,500.

Based on year-to-date actual expenditures, Energy Division anticipates that Sierra Pacific will need to utilize more SB5 funds during 2002 than the utility originally proposed in its application, i.e., $15,000 versus $10,000. While this does not affect Sierra Pacific's proposal for its PY2003 CARE budget, which Energy Division agrees with, it does affect the amount of ratepayer funding that will be required during PY2004 to maintain overall program funding levels.

For similar reasons, Energy Division anticipates that Bear Valley will need to use $10,000 in SB5 funds during 2002, leaving $70,000 available for program outreach activities during PY2003 and PY2004. Energy Division recommends that Bear Valley increase the ratepayer contribution to $2,400 for PY2003, since that is the level already authorized for CARE administrative costs in Bear Valley's current rates.

As discussed in Energy Division's report, Southwest Gas proposes to increase the ratepayer-funded portion of CARE outreach costs now (by $90,000) in anticipation of SB5 funds becoming exhausted sometime during 2004. Energy Division argues that increasing rates prematurely to address a potential future shortfall in SB5 appropriations is an unreasonable approach to program planning. Instead, Energy Division recommends that Southwest defer the increase in ratepayer funding until it is needed for PY2004. By using available SB5 funds, Energy Division points out that Southwest can increase its CARE budget to $158,216 for PY2003, for an increase of over $100,000 relative to estimated PY2002 expenditures. Energy Division believes that this level of increase is reasonable, given the fact that Southwest is expected to reach 100% penetration by 2004.

In addition, Energy Division recommends that Southwest Gas use no more than 10%, or $17,500 of its SB5 funds for mass marketing to increase enrollment, consistent with the requirements of that statute and prior Commission direction. Energy Division also recommends that all of the utility's energy education budget be spent on education related to its LIEE program, rather than general presentations to the public on energy efficiency.

For PY2004, Energy Division proposes that the SMJUs file advice letters to increase ratepayer funding to maintain PY2003 CARE budget levels and program activities.

3.3. LIEE Program Plans and Funding Levels

Attachment 3 presents the level of SB5 funds allocated to each SMJU for their LIEE programs per D.01-08-065, projected program expenditures for 2002, the SMJU's budget proposals for PY2003 and Energy Division's recommendations. These tables indicate the levels of both SB5 and ratepayer funding associated with each budget proposal.[9] The program budgets discussed below address LIEE administrative costs, which include outreach and inspections, energy efficiency education and expenditures for measure installations. In discussing the SMJUs' program plans, we use the term "treated homes" to refer to residences that receive LIEE measures or energy education services, and the subset of those treated homes that receive weatherization measures as "weatherized homes."

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[9] Alpine and West Coast Gas did not have an LIEE program during the period when SB5 LIEE appropriations were available for program commitments during 2001 and the first quarter of 2002. Therefore, the tables in Attachment 3 do not show any unexpended SB5 funding available for their post-2002 program plans.

3.3.1. SMJU Proposals

Alpine does not currently offer energy efficiency services to its low-income customers. Per D.01-05-033, the Commission directed Alpine to initiate a LIEE program for PY2003. Alpine proposes to refer customers requesting information on energy efficiency to Pacific Gas and Electric Company's (PG&E's) LIEE program, rather than initiate a program in-house. Alpine believes that a referral approach is consistent with the Commission's directives in D.01-05-033 and also appropriate to the small size of its eligible customer base and lack of in-house resources. Alpine does not request any funding for this program.

Avista implements its LIEE program through Project Go, a community-based provider under DCSD's low-income energy assistance program, and also in partnership with South Tahoe Housing Authority. During 2002, Avista added gas energy efficiency measures to its existing weatherization program, using SB5 funding, and began leveraging with Sierra Pacific to provide electric energy efficiency measures to its customers.[10] Avista projects that its LIEE program will treat and weatherize the same level of homes (80) reached during 2002 with the more comprehensive package of energy efficiency measures. Avista proposes a budget of $197,980 for PY2003. This is comparable to the level of program expenditures in 2002, but more than double the annual expenditures experienced during previous years when Avista's LIEE program was limited to weatherization measures. Of that amount, $116,000 will be funded out of SB5 appropriations (for weatherization measures) and $81,980 will be funded by ratepayers (for gas energy efficiency measures and education).

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[10] The electric measures are funded by Sierra Pacific.

Like Avista, Sierra Pacific relies on Project Go to reach eligible customers, determine their needs and install the appropriate LIEE measures. In addition to general outreach to identify low-income and disabled customers, Sierra Pacific is planning to specifically target housing complexes for seniors. Program services include caulking, weatherstripping, water heater blankets, low-flow showerheads, attic insulation, energy efficient lighting fixtures and upgraded storm windows. In addition, Sierra Pacific has budgeted SB5 funding for a renewable energy heat pump pilot program that was authorized in D.01-08-065 at a funding level of $512,500.[11]

Sierra Pacific did not provide information on the number of treated households, but plans to weatherize 175 homes during PY2003, which represents an increase of approximately 70% relative to PY2002 accomplishments. In addition, Sierra Pacific is continuing to work with a senior citizen low-income housing complex in Portola and will be identifying additional customers for the renewable energy heat pump program during 2003. Sierra Pacific proposes to expend a total LIEE budget of $1,156,572 for PY2003, compared to expected PY2002 expenditures of $308,659. Sierra Pacific proposes that $1,056,572 of this amount be funded with SB5 appropriations, with the remaining $100,000 collected through rates. Sierra projects that collections from ratepayers will need to increase by $10,000 (from $90,000 to $100,000), based on the rates last approved by the Commission in D.97-12-093.

PacifiCorp's weatherization program has been in effect since 1986 and is made available to single-family, multi-family and mobile home residences

[11] See D.01-08-065, p. 10 and Attachment 2, page 3 for a description of this pilot program, which will end upon the completion of 50 installations.

through partnerships with non-profit agencies. PacifiCorp provides its residential electric customers with measures that include ceiling, floor, wall and duct insulation, attic ventilation, bathroom and kitchen exhaust fans, water pipe wrap, weatherstripping, caulking, time thermostats, thermal doors and efficient showerheads and aerators (for customers that also have electric water heaters). During 2003, PacifiCorp plans to use SB5 funds to add additional rapid deployment measures authorized by the Commission, such as efficient refrigerators, replacement water heaters, compact florescent lamps and fixtures, among others.

PacifiCorp projects that it will increase the number of new homes weatherized from 80 to 198 during 2003, relative to 2002 accomplishments.[12] For PY2003, PacifiCorp is requesting a total LIEE budget of $209,950, which represents an increase of approximately $81,000 over PY2002 expected expenditures. Of that amount, PacifiCorp proposes to use $121,450 in SB5 funds with the remaining $88,550 funded via ratepayers.

Bear Valley began developing its LIEE program during 2002 and is currently in the early stages of program implementation. As with its CARE program, Bear Valley will work closely with the County of San Bernadino Community Services Department to identify eligible customers and assess their energy efficiency needs. Bear Valley has hired contractors to perform the measure installations, and plans to carefully review the list of installed measures for each home and conduct on-site inspections, as appropriate. In coordination with Southwest Gas (the natural gas provider within Bear Valley's service

[12] As Energy Division notes in its report, PacifiCorp does not report homes treated and weatherized using the standard reporting definitions, and should do so in the future.

territory), Bear Valley expects to provide all feasible LIEE services to eligible customers, including compact florescent lamps, interior light fixtures, electric water heater insulation and pipe wrap, low flow showerheads, faucet aerators, efficient refrigerators, water heater and furnace replacement and weatherization measures (e.g., insulation, weatherstripping, caulking). During PY2003, Bear Valley expects to treat 580 homes and proposes a total LIEE budget of $409,992, funded entirely with SB5 appropriations.

Southwest Gas reports that about 30,000 of its customers have gross income levels at or below the CARE and LIEE eligible income guidelines and approximately 35% of the housing stock in San Bernardino is suitable for repairs. The utility contracts with community-based organizations to perform LIEE program services, and subjects their work to inspection by an independent contractor. Southwest Gas offers attic and duct insulation, caulking, weatherstripping, thresholds, water heater blankets, storm window, low-flow showerheads and furnace replacements under its LIEE program, and coordinates with the electric utilities (Sierra Pacific, Southern California Edison Company (SCE) and Bear Valley) to leverage with their programs in overlapping service territories. In addition to its weatherization program, Southwest Gas conducts a general education program on conservation and energy efficiency. During 2003, the utility plans to offer school programs and informative presentations to governmental agencies, community service organizations, homeowners associations, trade associations and others.

Southwest Gas expects to treat 1,242 homes during PY2003 and weatherize 852 of those homes during PY2003. This represents almost double the amount of treated and weatherized homes, relative to PY2002. Accordingly, Southwest Gas proposes to double its LIEE budget for PY2003 relative to PY2002, from $930,517 to $2,114,220. Of that amount, Southwest Gas proposes to utilize $1,604,220 in

SB5 funding. The remaining $510,000 would be funded by ratepayers via the public purpose charge.

Like Alpine, West Coast Gas is addressing LIEE services for the first time, per the Commission's direction in D.01-05-033. West Coast Gas proposes to refer CARE customers requesting information on energy conservation services to the Sacramento County Department of Community Services and Development, rather than develop an LIEE program in-house. In West Coast Gas' view, this referral approach is appropriate given the residential housing stock within its service territory. In particular, the utility reports that all of the residences in the Wherry Area are new, single-family homes that are constructed to meet the current Title 24 Standards, and all gas appliances meet Title 20 Standards.

3.3.2. Energy Division Recommendations[13]

In its Workshop Report, Energy Division supports the proposed LIEE budgets of the SMJUs with the exception of certain adjustments to the requests of PacifiCorp and Southwest Gas. For PacifiCorp, Energy Division recommends that the utility increase ratepayer funding for PY2003 to reflect the amount currently authorized in rates per D.97-12-093. Noting that Southwest Gas proposes a budget for LIEE administrative costs that exceeds the 12.5% limit established by the statute, Energy Division reduces that component of the budget by $26,797. In addition, Energy Division recommends that Southwest Gas' request for an additional $10,000 in ratepayer funding for LIEE outreach be denied, as this amount was added to their PY2003 proposed budget in anticipation of SB5 funds running out before the end of the year.

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[13] Energy Division's report does not address the proposed LIEE programs of Alpine and West Coast Gas because they filed their applications well after the workshops, per the schedule established in D.02-08-051.

Energy Division notes that the data provided by PacifiCorp for treated and weatherized homes does not appear to reflect the comprehensive treatment of each eligible home. Energy Division recommends that each SMJU be required to install all measures that it offers under the LIEE program in each eligible home, when it is feasible to do so, consistent with the guidelines that the Commission has established for the larger utilities.

Energy Division also objects to Southwest Gas' proposal to use LIEE funds on general energy efficiency education activities. Energy Division recommends that Southwest Gas apply all of its LIEE education budget towards low-income energy education (e.g., as an integral component of its LIEE program). In Energy Division's view, funding for school, community and other general presentation on energy efficiency should come from Southwest Gas' energy efficiency program budget, consistent with the manner in which PG&E and other larger utilities allocate their energy education funding.

Finally, Energy Division recommends that only PY2003 LIEE budgets be established in this proceeding, given the relatively new status of some of the SMJUs' LIEE programs and the lack of sufficient information to evaluate program plans and funding beyond the coming year. Energy Division recommends that the utilities file applications for PY2004 program plans and budgets in July of 2003, with a workshop conducted shortly thereafter by the Energy Division to discuss their submittals.

3.4. Ratemaking Treatment

With the exception of Southwest Gas and Sierra Pacific, each of which have general rate cases pending, none of the SMJUs are requesting rate changes to implement their PY2003 LIEE and CARE budget proposals. As shown below, Southwest Gas requests an increase of approximately $4.7 million in ratepayer funding to cover increases in CARE administrative and rate subsidy costs, recovery of current under-collections in its CARE balancing account, and LIEE program costs.

Southwest Gas Proposed Rate Changes

	Authorized D.94-12-022	2003 Expected Collections	Annual Increase in Rates Requested for PY2003-PY2007	Total Proposed
Weatherization	$235,926	$235,926	$224,074	$460,000
Energy Education	$75,637	$75,637	($35,637)	$40,000
LIEE outreach	$0	$0	$10,000	$10,000
LIEE Total	$311,563	$311,563	$198,437	$510,000
CARE admin(1)	$18,602	$18,602	$90,000(2)	$108,602
CARE subsidy	$655,920	$706,250	$2,361,750	$3,068,000
CARE Balancing Acct Recovery(3)	Authorized A.L. 638	$0	$2,071,920	$2,071,920
CARE Total	$674,522	$724,852	$4,523,670	$5,248,522
Low-Income Total	$986,085	$1,036,415	$4,722,107	$5,758,522

(1) CARE administration includes outreach, processing, certification, verification and general expenditures.

(2) SWG requests $90,000 for its targeted CARE outreach costs, which it tracks separately from its administrative expenditures. SWG applies its authorized $18,602 in rates to administrative costs as discussed previously.

(3) SWG's CARE balancing account amount is as of 05/31/02.

Southwest Gas proposes these LIEE and CARE funding increases for each year, beginning in 2003, through 2007, and requests that they be included with other rate changes that the Commission authorizes in its current general rate case proceeding, A.02-02-012. Southwest Gas currently recovers CARE-related costs in its CARE Adjustment balancing account, which is a balancing sub-account of its Public Purpose Program Memorandum Account (PPMA). Southwest Gas does not currently have an LIEE balancing account, and requests authority to revise its PPMA to a Public Purpose Balancing Account in order to afford balancing account treatment to both CARE and LIEE program costs.

Sierra Pacific requests an increase of $65,000 in ratepayer funding to cover: (1) an increase of $5,309 for CARE administrative costs, (2) an increase of $49,691 for CARE subsidy costs and (3) an increase of $10,000 for LIEE program costs, as indicated below:

	Funding Authorized D.97-12-093	Expected Collections at Current Rates	Annual Increase in Rates Requested for PY2003	Total Proposed
CARE Admin	$6,000	$6,515	$5,309	$11,824
CARE Subsidy	$110,033	$119,485	$49,691	$169,176
CARE total	$116,033	$126,000	$55,000	$181,000
LIEE	$82,000	$90,000	$10,000	$100,000
CARE & LIEE Total	$198,033	$216,000	$65,000	$281,000

Sierra Pacific also asks that these increases be put into effect in coordination with rate changes approved in its pending general rate case, A.01-06-041. To date, Sierra Pacific's CARE and LIEE budgets have been authorized in base rates. Sierra Pacific requests authority to establish two separate balancing accounts to track and recovery these program costs.

West Coast Gas does not have a CARE balancing account, and is also requesting authority to establish one to track and recovery CARE-related program costs. PacifiCorp has neither CARE nor LIEE balancing accounts at this time.

Energy Division recommends that the Commission establish two-way CARE balancing accounts for all of the SMJUs and, where applicable, one-way balancing accounts for LIEE program costs. Energy Division supports Sierra Pacific's request for increased ratepayer funding. However, Energy Division proposes that Southwest Gas defer its request for an additional $90,000 in ratepayer funding for CARE administrative costs, since SB5 funding and existing ratepayer collections will cover CARE funding requirements during PY2003. Energy Division recommends that Southwest Gas file for any necessary rate increase to cover PY2004 CARE expenditures in June 2003.

4. Discussion

Before turning to the issues in this proceeding, we would first like to commend Energy Division staff for its ongoing efforts working with the SMJUs to develop their low-income assistance programs, and for the comprehensive presentation provided in the Workshop Report of each utility's proposal and Energy Division recommendations. We note that many of the comments submitted in response to the draft report were addressed by Energy Division in its December 20, 2002 update.

In the following sections we address CARE program goals, program plans and associated budgets for PY2003 and PY2004, ratemaking treatment and other issues raised in Energy Division's Workshop Report.

4.1. CARE Penetration Goals

In D.02-07-033 we clearly articulated our goal to achieve a 100% penetration rate for the CARE program by stating: "*Simply put, our goal is to reach 100% of low-income customers who are eligible for, and desire to participate in, the CARE program.*"[14] At the same time, we acknowledged that the pace towards achieving our goal would differ among the individual utilities:

> "We recognize that the utilities will not reach this goal at the same pace, given differences in demographic characteristics and the magnitude of the eligible low-income population

[14] D.02-07-033, p. 4.

> within each service territory, as well as differences in where each utility stands today with respect to program penetration. We also recognize that the law of diminishing returns applies to CARE outreach efforts over time, i.e., it becomes increasingly difficult to enroll additional customers, the closer the utility moves towards achieving 100% participation."[15]

With only one exception, we believe that Energy Division has proposed PY2003 and PY2004 targets for the SMJUs that acknowledge the factors discussed above, and at the same time move each of them at a meaningful pace towards our goal of 100% program penetration. For Southwest Gas, we do take exception with Energy Division's specific recommendations. On the one hand, we note that the penetration rate proposed by Southwest Gas for PY2003 is lower than the 89% minimum benchmark adopted by the Commission in D.02-07-033 for PY2002. In its comments on the draft decision, Southwest Gas laments that the Commission adopted an overly ambitious PY2002 benchmark in that decision, and urges us to reduce Energy Division's recommended targets for 2003 and 2004 to the lower levels (80% and 81%) that Southwest Gas presented in its application.[16] We reject this aspect of Southwest Gas'proposal. The 89% target adopted in D.02-07-033 was proposed by Southwest Gas in that proceeding, despite its assertions many months later that the 89% figure was based on a misunderstanding of reported participation figures. We agree with Energy Division that the penetration targets

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[15] *Id.*

[16] See Southwest Gas' Comments on Draft Decision, pp. 4-6. Southwest Gas also argues in its comments that Energy Division's proposal sets a more ambitious standard for it than for the large utilities, and compares the proposed targets for PY2003 and PY2004 with ones that Southwest Gas asserts the Commission adopted in D.02-07-033 for the large utilities. However, the Commission did not adopt PY2003 and PY2004 targets for the large utilities in the final decision (or any subsequent decision to date) for the reasons explained in D.02-07-033 (p.29).

for Southwest Gas should exceed 89% for PY2003 and PY2004, in recognition of the PY2002 minimum benchmark already established for 2002.

At the same time, we find that the 2003 and 2004 targets proposed by Energy Division for Southwest Gas do not adequately acknowledge the law of diminishing returns discussed above, particularly for a SMJU such as Southwest Gas that will need to enroll an average of over one thousand new CARE participants each year to noticeably increase its penetration rates. In our view, penetration rate targets for Southwest Gas of 91% for 2003 and 93% for 2004 more appropriately reflect these considerations. Accordingly, we adopt the following CARE penetration rate targets until further Commission order:

Adopted CARE Penetration Rate Targets

Utility	2003 Target	2003 Projected Enrolled	2003 Incremental Increase	2004 Target	2004 Projected Enrolled	2004 Incremental Increase
Avista	70%	846	235	85%	1,027	181
PacifiCorp	60%	8,556	5,796	70%	9,982	1,426
Sierra Pacific	80%	1,840	511	90%	2,070	230
Bear Valley	75%	1,522	422	85%	1,726	204
Southwest Gas	91%	22,936	2,769	93%	23,440	504
Alpine	100%	22	9	100%	33	11
West Coast Gas	100%	20	12	100%	25	5

Consistent with our direction in D.02-07-033, we consider these to be minimum benchmarks for achievement in PY2003 and PY2004. As discussed in Section 3.2, all of the SMJUs are expanding their outreach efforts under their CARE program. This should allow them to achieve the penetration rate targets we establish today.

Based on currently available information, the SMJUs' explanations of why their estimated eligible population vary so greatly from the statewide norm appear reasonable.[17] For example, Alpine explains that most of its customers reflect higher incomes than the norm, whereas PacifiCorp points out that it serves mostly a rural area with a depressed economy. We have directed that Phase 2 of the Needs Assessment Study include an examination of the demographics within each of the SMJU's service territories based on updated Census information.[18] As Energy Division suggests, we will accept the SMJUs' estimates of eligible population for the purpose of calculating penetration rates until the results of this study are available and can be evaluated for the development of a more precise method.

4.2. PY2003 and PY2004 CARE Program Plans and Budgets

We find that Energy Division's recommendations regarding CARE program plans and funding should be adopted for the reasons discussed in the Workshop Report and summarized above, with one exception. We are not persuaded that those SMJUs currently contracting with community-based

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[17] According to information from the 2000 Census, approximately 25.5% of the households in California have incomes less than $24,999 per year. (See http://censtats.census.gov/CA/04006.pdf#page=3.)

[18] See D.02-07-033, Ordering Paragraph 2 and D.02-08-051, Ordering Paragraph 6.

organizations or energy assistance agencies for CARE application processing (including eligibility screening) should be required to handle those functions in-house. As Sierra Pacific and Avista point out in their comments on the Workshop Report, there may be significant advantages in utilizing an outsourcing approach from a total community resource perspective, particularly for those SMJUs with limited in-house resources and existing referral contracts with DCSD. Rather than require these SMJUs to switch over to an in-house system at this time, we direct Energy Division to further evaluate this issue as part of the PY2003 and PY2004 audits described in Section 4.4. At that juncture, we will have two years of actual expenditure data for all of the SMJUs' CARE programs, as well as penetration rate achievements, with which to fully consider the issue.

Irrespective of whether applications are processed in-house or through contractual arrangements with DCSD or other agencies, the SMJUs should arrange to re-certify CARE enrollees every two years, as Energy Division recommends. Accordingly, Avista, PacifiCorp and Sierra Pacific should take the necessary steps to arrange for re-certification of CARE enrollees, since these utilities do not currently conduct this activity under their CARE programs. Alpine currently re-certifies CARE enrollees every year and states that this frequency works well for its program through DCSD. It may continue to do so or switch to re-certification every two years, to be consistent with the other utilities.

With the exception of West Coast Gas and Alpine, each SMJU should also arrange for (or conduct itself) random post-enrollment verification of eligible customers. We exclude West Coast Gas and Alpine from this requirement due to the extremely small size of their CARE-eligible population (i.e., 20 and 22 in PY2003, respectively) relative to the costs involved in conducting such a verification effort.

We have reviewed and find reasonable West Coast Gas' and Alpine's request for CARE program budgets during PY2003. However, we adjust downward the amount of ratepayer funding during PY2003 for West Coast Gas to reflect the availability of unexpended SB5 appropriations. West Coast Gas and Alpine should proceed to utilize this SB5 funding without further delay.

We adopt PY2003 CARE program budgets for the SMJUs, broken down between SB5 and ratepayer funds, as follows:

			Utility Proposed		Authorized				
	SB 5 Allowed	Auth-orized Rate-payer CARE admin	PY 2003 CARE Program Budget		PY 2003 CARE Program Budget		PY 2004 CARE Program Budget		Remain-ing SB 5 for PY 2004
Utility			SB 5	Non-SB 5	SB 5	Non-SB 5	SB 5	Non-SB 5 (1)	
Avista	$20,000	$6,922							$0
Outreach			$10,000	$18,800	$10,000	$18,800	$0	$28,800	
Proc/Cert/Ver			$0	$11,800	$0	$11,800	$0	$11,800	
General			$0	$5,500	$0	$5,500	$0	$5,500	
Subtotal			$10,000	$36,100	$10,000	$36,100	$0	$46,100	
PacifiCorp	$85,000	$8,671							$0
Outreach			$8,000	$7,500	$36,000	$7,500	$0	$43,500	
Proc/Cert/Ver			$32,500	$12,000	$20,500	$12,000	$0	$32,500	
General			$2,000	$2,500	$0	$2,500	$0	$2,500	
Subtotal			$42,500	$22,000	$56,500	$22,000	$0	$78,500	
Sierra	$40,000	$6,000							$10,000
Outreach			$15,000	$4,378	$15,000	$4,378	$10,000	$9,378	
Proc/Cert/Ver			$0	$7,446	$0	$7,446	$0	$7,446	
General			$0	$0	$0	$0	$0	$0	
Subtotal			$15,000	$11,824	$15,000	$11,824	$10,000	$16,824	
BVES	$80,000	$2,400							$20,000
Outreach			$50,000	$850	$50,000	$1,550	$20,000	$31,550	
Proc/Cert/Ver			$0	$150	$0	$850	$0	$850	
General			$0	$0	$0	$0	$0	$0	
Subtotal			$50,000	$1,000	$50,000	$2,400	$20,000	$32,400	
SWG	$175,000	$18,602							$35,000
Outreach			$124,213	$98,501	$124,213	$8,501	$35,000	$97,714	
Proc/Cert/			$0	$20,402	$0	$20,402	$0	$20,402	

			Utility Proposed		Authorized				
	SB 5 Allowed	Auth-orized Rate-payer CARE admin	PY 2003 CARE Program Budget		PY 2003 CARE Program Budget		PY 2004 CARE Program Budget		Remain-ing SB 5 for PY 2004
Utility			SB 5	Non-SB 5	SB 5	Non-SB 5	SB 5	Non-SB 5 (1)	
Ver									
General			$0	$5,100	$0	$5,100	$0	$5,100	
Subtotal			$124,213	$124,003	$124,213	$34,003	$35,000	$123,216	
WCG	$2,240	$0							$0
Outreach			$0	$0	$0	$0	$0	$0	
Proc / Cert / Ver			$0	$1,500	$1,500	$0	$740	$760	
General			$0	$1,100	$0	$1,100	$0	$1,100	
Subtotal			$0	$2,600	$1,500	$1,100	$740	$1,860	
Alpine(2)	$2,895	$0							$0
Outreach			$0	$709	$0	$709	$0	$709	
Proc / Cert / Ver			$0	$1,579	$0	$1,579	$0	$1,579	
General			$0	$1,339	$0	$1,339	$0	$1,339	
Subtotal			$0	$3,627	$0	$3,627	$0	$3,627	
TOTAL	$405,135	$42,595	$241,713	$201,154	$257,213	$111,054	$65,740	$302,527	$65,000

(1) Ratepayer (non-SB5) funding levels for PY2004 are estimates based on remaining SB5 funds.
(2) Alpine exhausted its SB5 funding in PY 2002.

In order to achieve the CARE penetration goals for PY2003, we expect each SMJU to fully expend SB5 funds at the levels indicated above, by year-end.

With respect to PY2004 program plans, we agree with Energy Division that the SMJUs should continue the rapid deployment CARE program outreach efforts and overall program budgets (SB5 and non-SB5 combined) adopted today, so that we can reach our goal of 100% program penetration. The SMJUs should file advice letters by September 15, 2003 for rate increases that will enable them to continue today's adopted level of CARE program funding through 2004, once SB5 funds have been exhausted. These advice letter filings should include information on program outreach activities and expenditures to date, as well as updated CARE penetration rates.

Based on Energy Division's estimates, we anticipate that the SMJUs will need to increase ratepayer funding for PY2004 efforts as follows: Avista-$10,000. PacifiCorp-$56,500, Sierra Pacific-$5,000, Bear Valley--$30,000 and Southwest Gas--$89,213, West Coast Gas--$760.[19] These figures will need to be updated in the advice letter filings. Since Alpine expended all available SB5 funds during PY2002, we do not anticipate any change in the ratepayer contribution to PY2004 CARE administrative expenses relative to the amount we authorize today for PY2003. Nonetheless, Alpine should file an advice letter to request authorization for a continuation of the same level of contribution for PY2004, consistent with today's decision.

4.3. LIEE Program Plans and Budgets

By D.02-08-051, we directed Alpine and West Coast Gas to submit proposals to initiate LIEE programs within their service territories. In doing so, we acknowledged that "a referral service may be the most appropriate approach to complying with statutory requirements, given the size and resources" of these utilities.[20] Accordingly, they both request approval of a referral program for providing LIEE services to eligible customers, as described in Section 3.3.1. We believe that their referral approaches are reasonable, given the specific circumstances described in their applications. In particular, we are persuaded by West Coast Gas' description of its housing stock that the homes of eligible low-income customers would not require additional weatherization or gas efficient

[19] These estimates are calculated from the figures in Attachment 2 as the difference between Energy Division's recommendations for PY2004 and PY2003 CARE ratepayer funding (outreach, process / cert / ver and general).

[20] D.02-08-051, Findings of Fact 2.

appliances at this time. Under these circumstances, a simple referral program to direct customers to local sources of information and assistance on energy conservation services is appropriate. However, in the event that West Coast Gas expands its service territory to include older homes that do not meet Title 20 and Title 24 requirements, we will revisit the issue of whether the utility should offer LIEE services directly to its customers. West Coast Gas should provide updated information on whether its housing stock continues to meet Title 20 and Title 24 requirements in each annual CARE report.

Given the lack of in-house resources and very small number of eligible customers within Alpine's service territory, we also find reasonable Alpine's proposal to refer customers to PG&E's LIEE program for direct assistance. However, Alpine does not describe or document the arrangement it has with PG&E (or any other organization) to provide LIEE services to its low-income customers, or how the costs associated with such services will be funded and recovered in rates. In particular, all gas measures installed via the referral program should be funded by Alpine's ratepayers. Within 30 days from the effective date of this decision, Alpine should file an Advice Letter providing this information to the Commission and seeking approval of the proposed referral arrangement, funding and ratemaking approach.

In reviewing the SMJUs' proposed LIEE budgets, Energy Division checked to ensure that the amounts budgeted for administrative activities did not exceed the 12.5% limit established by the statute. The Commission has entered into two separate contracts with Southwest Gas and other SMJUs to implement the statute: one for LIEE and one for non low-income Energy Efficiency programs. Each program establishes an administrative budget for the program that reflects the statutory limit on administrative costs.

In its comments on the draft decision, Southwest Gas proposes that the limit for its PY2003 LIEE administrative costs now be calculated based on total SBX1 5 funding that includes the $781,450 allocated for Energy Efficiency Rebates. To do so, however, would co-mingle funds from two separate purposes, and would use funds earmarked for SBX1 5 LIEE implementation for SBX1 5 general energy efficiency programs. We reject this proposal. Energy Division's calculation of the LIEE administrative cap assures that such co-mingling is avoided, and is consistent with the intent of the statute and current contractual arrangements with SMJUs.

However, since the submission of Energy Division's recommendations, Southwest Gas reports that it has spent only $52,646 on LIEE administrative activities during 2002, rather than the $107,568 it budgeted and submitted in its application. Therefore, Energy Division's adjustment to Southwest Gas' PY2003 administrative cost budget is no longer necessary, as long as total LIEE administrative costs (for 2001, 2002 and 2003) do not exceed $296,797. Accordingly, we modify the draft decision PY2003 authorizations for Southwest Gas by reinstating the $26,797 amount removed by Energy Division, as discussed in Section 3.3.2. We also add the base amounts of administrative costs that, as Southwest Gas points out in its comments, were inadvertently left out of Energy Division's tables.[21] In addition, we correct an inadvertent omission of $30,000 in

[21] See Southwest Gas' Comments on Draft Decision, pp. 11-12. For this adjustment, we use the figure of $211,960 in PY2003 administrative costs that appears on page 32 of Energy Division's Workshop Report. We also correct the 2002 administrative costs, based on the tables on that page. Finally, based on Southwest Gas' comments, we update 2002 SBX1 5 expenditures to calculate the amount of SBX1 5 funding that remains for PY2004.

weatherization administrative costs in the tables for Southwest Gas' proposed ratepayer-funding, and add that amount to today's authorized levels.[22]

We find Energy Division's recommendations regarding the other SMJUs' LIEE budgets and program plans for PY2003 to be reasonable, given the expected increases in the level of homes treated and weatherized, the more comprehensive nature of proposed programs and, for Sierra Pacific, involvement in the renewable heat pump pilot program. We acknowledge that there are differences among SMJUs with respect to program plans and costs per home treated or weatherized. However, based on the information available in the record, we find that these reasonably reflect differences in the size of the eligible low-income population, start-up implementation costs and other factors, such as the predominately rural nature of PacifiCorp's service territory. As discussed further below, we intend to review the level of actual expenditures and accomplishments during the audit process so that we may develop a record on "best practices" among these smaller utilities. Based on this information, the SMJUs will be expected to continue to improve and refine their program plans, so that low-income assistance services can be provided as cost-efficiently as possible. In any event, we agree with Energy Division that each SMJU should be required to install all measures that it offers under the LIEE program in each eligible home, when it is feasible to do so.

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[22] See Southwest Gas' response to Energy Division's Data Request, dated August 24, 2002 and page 1 of Exhibit ALH-7 included in Southwest Gas' application.

We adopt the following LIEE program budgets for PY2003, broken down between SB5 and ratepayer funding:

			Utility Proposed		Authorized		
	SB5 Allowed	Authorized Ratepayer LIEE	PY 2003		PY 2003		Remaining SB 5 for PY 2004
Utility			SB 5	Non-SB 5	SB 5	Non-SB 5	
Avista	$260,925	$81,980					$28,925
Weatherization			$116,000	$0	$116,000	$0	
EE Measures			$0	$80,340	$0	$80,340	
EE Education			$0	$1,640	$0	$1,640	
Subtotal			$116,000	$81,980	$116,000	$81,980	
PacifiCorp	$173,950	$108,332					$0
Weatherization			$109,450	$79,550	$109,450	$79,550	
EE Measures			$12,000	$9,000	$12,000	$18,891	
EE Education			$0	$0	$0	$9,891	
Subtotal			$121,450	$88,550	$121,450	$108,332	
Sierra Pacific(2)	$1,276,620	$82,000					$0
Subtotal			$1,056,572	$100,000	$1,056,572	$100,000	
Bear Valley	$814,086	$0					$392,094
Weatherization			$1,813	$0	$1,813	$0	
EE Measures			$390,779	$0	$390,779	$0	
EE Education			$17,400	$0	$17,400	$0	
Subtotal			$409,992	$0	$409,992	$0	
Southwest Gas	$2,374,419	$311,563					$147,174
Weatherization			$641,554	$470,000	$641,554	$460,000	
EE Measures			$962,666	$0	$962,666	$0	
EE Education			$0	$40,000	$0	$40,000	
Subtotal			$1,604,220	$510,000	$1,604,220	$500,000	
West Coast Gas(3)	$0	$0	$0	$0	$0	$0	
Alpine(3)	$0	$0	$0	$0	$0	$0	
TOTAL	$4,900,000	$583,875	$3,308,234	$780,530	$3,308,234	$790,312	$568,193

(1) Remaining PY 2004 SB 5 funds is total SB 5 funds allocated to each utility less the SB 5 funds expected to be used in PY 2002 and PY 2003.
(2) Sierra was unable to provide further breakdown of its expenditures by category.
(3) WCG and Alpine do not request funding for their LIEE referral programs.

As discussed in Section 3.3.2, Energy Division recommends that we limit today's authorization for LIEE funding to PY2003, and require the SMJUs to each file applications for PY2004 LIEE program plans and budgets in July 2003. Sierra Pacific argues that, given the schedule for its pending general rate case, authorizing both a PY2003 and PY2004 LIEE program budget at this time would provide budgeting consistency as well as certainty of what it will be offering in its California service territory.[23]

Sierra Pacific's application does not include a detailed breakdown of ratepayer expenditures for either PY2003 or PY2004, nor does the utility present a proposed rate increase or description of what type of program would be offered in PY2004, under 100% ratepayer funding. To maintain the overall program budget level proposed for PY2003, Sierra Pacific would need to propose a rate increase for PY2004 that would generate $1,156,572 in annual funding, as compared to the $100,000 in ratepayer funding for PY2003. It is unclear from Sierra Pacific's comments on the Workshop Report whether it is proposing such an increase or, instead, suggesting that its PY2004 program plans be reduced in scope to its "current LIEE" budget commitment of $100,000.[24] Given the limited information regarding Sierra Pacific's expenditure details in general, coupled with the lack of clarity regarding Sierra Pacific's proposal for PY2004, we find Energy Division's recommendation to limit today's LIEE authorizations to PY2003 to be reasonable.

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[23] Sierra Pacific Comments on Energy Division Workshop Report, November 19, 2002, p. 4.

[24] See Sierra Pacific's Application, Table 2.

In response to Southwest Gas' comments, we clarify that the SMJUs may shift funding among the program categories of "Weatherization," "Energy Efficiency Measures" and "Energy Efficiency Education" listed in the budget tables. We recognize that the selection of LIEE measures and services in the field will necessarily depend on the specific condition of the home and needs of the low-income household, which cannot be accurately reflected by specific budget category.

4.4. Ratemaking Treatment, Reporting and Other Issues

We find Sierra Pacific's rate proposal for PY2003 to be reasonable, and will adopt it. The proposed increases in ratepayer funding, coupled with the continued availability of SB5 appropriations, will enable Sierra Pacific to continue its rapid deployment efforts to meet CARE goals and aggressively provide LIEE measures to eligible customers. With regard to Southwest Gas' request, we agree with Energy Division that Southwest Gas should not increase rates prematurely to anticipate the disappearance of SB5 funds, and therefore deny Southwest's request to augment current ratepayer funding of CARE administrative costs by $90,000 during PY2003 as part of its test year rate changes. However, we do authorize Southwest Gas to recover $15,401 in additional ratepayer funding for CARE administrative costs in PY2003, which represents the difference between expected collections and the total amount of ratepayer funding we authorize for PY2003. In addition, we authorize Southwest Gas' requested increases to cover the CARE subsidy costs and to amortize current under-collections in the CARE balancing account. We also authorize Southwest Gas to increase rates to recover an additional $188,437 for its PY2003 LIEE program, which reflects the $10,000 downward adjustment discussed in Section 3.3.2 above.

The surcharge to recover the authorized ratepayer funding for PY2003 LIEE and CARE programs should be calculated as part of Southwest Gas' and Sierra Pacific's pending general rate cases, A.02-02-012 and A.01-06-041, respectively. With regard to ratepayer funding for the CARE program in PY2004, both Sierra Pacific and Southwest Gas should submit an advice letter with a proposed surcharge that is calculated on the forecasted 2004 base margin sales established in those proceedings. As discussed in Section 4.2, the surcharge should recover an amount from ratepayers that will maintain the overall (SB5 and non-SB5) annual CARE funding levels we adopt today. The schedule for considering CARE program plans and budgets beyond PY2004 will be established in our generic low-income assistance proceeding (R.01-08-027), or a successor proceeding, by Assigned Commissioner Ruling.

We also adopt Energy Division's recommendations regarding the use of two-way balancing accounts for CARE program expenditures and one-way balancing accounts for LIEE program expenditures. Two-way balancing accounts allow the utility to recover actual program costs that may be higher than the amount of funding authorized, subject to audit or reasonableness review. One-way balancing accounts limit total recovery to the authorized funding level. The large investor-owned utilities (PG&E, SCE, San Diego Gas & Electric Company and Southern California Gas Company)--have two-way balancing accounts for CARE administrative and subsidy costs. These costs are particularly difficult to forecast accurately in advance, due to the "open-ended" nature of program eligibility (i.e., anyone who qualifies for the programs is entitled to participate). The Legislature has also expressly determined that CARE administrative costs should be subject to this type of balancing account treatment.[25] Establishing the same ratemaking treatment for the SMJUs is consistent with Commission practice and legislative intent.

However, the large investor-owned utilities do not have two-way balancing accounts for their LIEE expenses, which are capped at the amount of each utility's adopted budget. In fact, as Office of Ratepayer Advocate (ORA) points out in its comments on the Workshop Report:

> "Resolution G-3340, which orders PG&E to resume its LIEE program after it was discontinued earlier this fall, specifically rejects PG&E's proposal to make its LIEE account into a two-way account, finding 'such an adjustment to be too global in nature, altering existing standards for accounting for LIEE. Such an adjustment would likely have impacts not only on PG&E's accounting methods, but as well on accounting practices of the other utility LIEE providers' (Resolution G-3340, p. 10).[26]

We find Energy Division's proposal for a one-way balancing account for LIEE to be consistent with current Commission policy, and we will adopt that ratemaking approach for the SMJUs' LIEE programs, where applicable. Any under-expenditures in a given program year should be carried over to augment the next year's LIEE program budget, consistent with our practices for the large investor-owned utilities.

Accordingly, we direct Sierra Pacific and PacifiCorp to each file an advice letter within 30 days from the effective date of this decision to establish a two-way balancing account for CARE and one-way balancing account for LIEE program expenditures. Within the same timeframe, Southwest Gas should file an

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[25] See our discussion of CARE balancing accounts in D.02-09-021, pp. 7-9.

[26] ORA Comments on Energy Division's Workshop Report, pp. 2-3.

advice letter to establish a one-way balancing account for LIEE program expenditures, and West Coast Gas should file an advice letter to establish a two-way CARE balancing account. In developing their advice letter filings, Sierra Pacific, PacifiCorp, Southwest Gas and West Coast Gas should review the low-income assistance program balancing account tariffs of other utilities already on file at the Commission, in consultation with Energy Division.

Energy Division has made several additional recommendations regarding reporting and other issues that we believe have merit, and we adopt them today. In order to improve consistency in reporting, the SMJUs should all track LIEE costs using the weatherization, energy efficiency measures/appliances and energy education categories as described in D.01-03-028. Sierra Pacific should provide a specific cost breakdown within the measures category of its renewable heat pump program, and continue to work with Energy Division per D.01-08-065 on collecting relevant information for our review of this pilot program. In addition, the SMJUs should track the number of weatherized and treated homes as defined in this decision and reported by the larger utilities in their monthly status reports. The utilities should track CARE and LIEE costs separately and provide the same CARE program budget categories required for the CARE annual reports due August 1st of each year, pursuant to D.95-07-019.[27] Within each budget category, the SMJUs should also break down program costs to show SB5 and ratepayer-funded expenditures.

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[27] We agree with Energy Division that Southwest Gas' current method of allocating 90% of the total SB5 outreach costs to CARE and 10% to LIEE is reasonable for PY2003 program expenditures, but nonetheless, CARE/LIEE costs should be tracked separately by program.

The SMJUs should report this information in each annual LIEE report and develop the capability to provide this information upon request by Energy Division or the Commission. We direct Energy Division to hold a workshop as soon as practicable to go over these and other accounting and reporting issues, including the types of CARE outreach expenditures for which SB5 funds can be utilized. Each SMJU should send accounting staff to this workshop (or series of workshops, as Energy Division deems appropriate) that have authority to modify the utility's accounting practices for low-income assistance programs, as needed.

We also agree with Energy Division that each SMJU should install all measures that it offers under the LIEE program in each eligible home, when it is feasible to do so. This is a long-standing policy under the program, and we see no reason to exempt SMJUs from offering comprehensive treatment of the eligible homes in their service territories. With respect to the types of measures offered, we note (as ORA does) that at least some SMJUs (for example, Sierra Pacific) provide energy efficient microwave ovens as a LIEE measure. The large investor-owned utilities do not provide this measure, even as part of their rapid deployment programs using SB5 funds. Because this measure is not offered by the large utilities, it is not included in the current assessment of cost-effectiveness of LIEE measures.

Sierra Pacific and any other SMJU that offers energy efficient microwave ovens, and plans to continue to do so with ratepayer funds, should prepare a joint analysis to determine whether this measure provides meaningful savings for LIEE participants, and at what cost to non-participating customers. This analysis should be filed and served as a report in R.01-08-027 no later than November 1, 2003. Comments are due 20 days after the date of filing, and replies are due 15 days thereafter. The SMJUs that currently provide this measure should meet informally with Energy Division staff to develop a consistent framework for the joint analysis and report. We will consider the results of this analysis, and comments, in our development of post-2003 program plans.

We share Energy Division's view that funding for school, community and other general presentation on energy efficiency should come from the SMJU's energy efficiency program budget, consistent with the manner in which PG&E and other larger utilities allocate their energy education funding. However, we also believe that it is appropriate to use LIEE outreach funds for targeted LIEE outreach at such general events, e.g., to advertise the availability of the LIEE program and to enroll income-qualified participants in the program at those events. In addition, we find it appropriate to use LIEE educational funds to assist in developing and producing energy efficiency educational materials for school, community and other general presentations if these same materials are used for the energy efficiency education of LIEE participants. We caution Southwest Gas and other SMJUs, however, that this type of "cross purpose" funding of outreach and educational activities will be audited by Energy Division to ensure that LIEE funds are utilized appropriately for LIEE-related purposes, as clarified above.

In order to continue program funding without disruptions, Energy Division should draft extensions to the SB5 funding contracts with the SMJUs, as needed, and the SMJUs should execute those contracts without delay. Consistent with statutory requirements and as required under their contracts, the SMJUs should maintain SB5 funding of LIEE administrative costs at no more than 12.5% of their respective SB5 LIEE funding allocations.

Finally, we adopt Energy Division's recommendation that the SMJUs' low-income assistance programs be audited. For this purpose, the SMJUs are directed to close their books for PY2003 and PY2004 by March 15 of the following year to facilitate a financial and management audit of all CARE and LIEE program expenditures. Not only should Energy Division examine whether these expenditures are reasonably incurred and booked to the appropriate accounts but, as discussed in D.02-09-021, whether they are "incremental" costs—that is, not provided for in the utility's base rates. Energy Division should also present recommendations on how the utilities should report and recover CARE administrative and LIEE program costs on a more consistent basis in the future, and on whether any recorded PY2003 or PY2004 expenditures should be disallowed for cost recovery.

Energy Division's reports for the PY2003 and PY2004 financial and management audits are due by August 1, 2004 and August 1, 2005, respectively. The reports should be filed with the Commission's Docket Office in R.01-08-027, or its successor proceeding. Energy Division may perform the audit itself or hire independent contractors for this purpose. We delegate the task of approving the budget, allocating of the budget among the SMJUs and establishing a schedule for the audit to the Assigned Commissioner in R.01-08-027. The costs of the audit will be recovered by ratepayers through the program balancing accounts, consistent with the procedures established for the audits ordered in D.02-09-021. The audit costs should be split between CARE and LIEE balancing accounts on a 70% / 30% basis, consistent with how shared program costs are allocated for the large utilities.[28] The SMJU's share of audit costs should be added to its approved LIEE budget for that year. In addition, the Assigned Commissioner in R.01-08-027 should establish a schedule for comments on Energy Division's report and address other procedural matters related to the audit.

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[28] For example, in D.00-02-045 (Ordering Paragraph 10), we split the reimbursement of ten new civil service positions between CARE (70%) and LIEE (30%). In D.00-06-003 (Ordering Paragraph 1), we split the costs of the former Low-Income Advisory Board between CARE (70%) and LIEE (30%).

As part of the financial and management audit described above, Energy Division should examine program accomplishments and relative costs in order to make comparisons across the SMJUs with respect to "best practices" that may serve to guide future program plans. In addition, as discussed in Section 4.2., Energy Division should further evaluate the relative costs and benefits of having the SMJUs process CARE applications in-house, versus outsourcing to DCSD or other community agencies. These evaluations should be included in the August 1, 2005 audit report.

5. Comments on Draft Decision

The draft decision of the administrative law judge (ALJ) in this matter was mailed to the parties in accordance with Section 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. Comments were filed on February 12, 2003 by Avista, and on February 14, 2003 Southwest Gas Company. ORA filed a response to Avista's Comments on February 18, 2003.

We have carefully reviewed the comments and make certain corrections and clarifications. In response to Southwest Gas' specific concerns, we have also modified the CARE target penetration rates proposed by Energy Division and adopted in the draft decision, and made other suggested clarifications. In addition, we correct certain errors and omissions from the adopted budget tables.

However, several issues that Southwest Gas' raises in its comments merit further discussion. First, Southwest Gas argues in its comments that the 10% cap on mass marketing for CARE outreach is applied incorrectly, and that it should be allowed to spend more than $17,500 on such campaigns. We have reviewed Southwest Gas' arguments and find that they are without merit. In particular, we find no merit to Southwest Gas' assertion that the 10% limit statutory limit on mass marketing outreach should be applied to the entire $100 million appropriated via SBX1 5 to supplement *both* CARE subsidies and outreach efforts. Even if that full amount remained available to the program,[29] the statutory language states that "up to 10%" of the funding could be used for mass marketing, and leaves it to the Commission to establish appropriate budgets for implementing the program. As we stated in D.01-05-033:

> "Clearly, the Legislature anticipated that a mass media campaign of some magnitude would be one of the outreach efforts considered by the Commission, and that a portion of the $100 million could be used for that purpose. The issue we address today is whether such a mass media campaign should be undertaken with this new funding and, if so, at what budget amount." [30]

We went on to discuss various reasons why a mass media campaign should not be undertaken with the SBX1 5 funding during PY2002, which included our concerns about diverting available funding away from rate discounts to a new media campaign and duplication with other public awareness campaigns underway.[31] Because of these concerns, we authorized a very limited, targeted media campaign to fund non-English radio and print advertising for CARE outreach of up to $2 million for the four large utilities (PG&E, SDG&E, SCE and SoCal).

Southwest then asserts that the Commission specifically allocated $400,000 to the SMJUs for mass marketing outreach in D.01-08-065. We find no basis for

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[29] As we have repeatedly noted in our subsequent decisions regarding SBX1 5 funding, approximately $84 million of the SBX1 5 CARE program augmentation was subsequently rescinded by the Governor in his November 2001 Budget Revisions.

[30] D.01-05-033, p. 49.

[31] We note that Southwest Gas at the time opposed using SBX1 5 funds for the mass media efforts discussed in that decision. *Ibid.* p. 49.

this assertion: The $400,000 represents the total amount out of SBX1 5 CARE appropriations that we allocated to the SMJUs to supplement their CARE outreach activities. Of that amount, Southwest Gas was allocated $175,000. We specifically stated in that decision:

> "As discussed in D.01-05-033, these funds should not be used for mass media campaigns, with the exception of the non-English radio and print ad outreach authorized below…. Consistent with our direction in D.01-05-033 and the mass media limitation contained in Section 5(a)(C) of SBX1 5, SMJUs may use up to 10% of the CARE outreach funding authorized today to fund non-English radio and print advertising for CARE outreach."[32]

We find that Energy Division's application of the 10% mass media limit to be consistent with Commission policy and the intent of the statute, and affirm their calculation of the limit for Southwest Gas and other SMJUs.

Second, Southwest Gas raises the issue of whether our direction to maintain SBX1 5 funding levels for CARE through public purpose program surcharges when SBX1 5 dollars are exhausted is consistent with the legislative intent and language of SBX1 5. We clarify that this direction is not based on the statute language, but rather, on our established goal of attaining 100% CARE program participation. The record in this proceeding clearly indicates that "stay the course" funding for CARE outreach is the minimum required to achieve our goal, as further evidenced by Southwest Gas' own observation that: "It becomes increasingly difficult to enroll additional customers the closer the utility moves toward achieving 100% participation in CARE and LIEE programs. This implies a utility needs more, not fewer, resources to accomplish increased participation

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[32] D.01-08-065, pp. 16-17.

in CARE and LIEE programs."[33] For this reason, we direct the SMJUs in today's decision to "stay the course" with respect to CARE outreach efforts and budgets during PY2004. With the flexibility afforded by two-way balancing accounts, the SMJUs can also increase their efforts, as needed, to meet (and exceed) their minimum CARE penetration targets.

Third, Southwest Gas requests further guidance on our expectations for PY2004 LIEE program efforts and funding levels. Given the relatively new status of some of the SMJUs' LIEE programs and the lack of sufficient information to evaluate program plans and funding beyond the coming year, we do not direct the SMJUs to maintain those budgets beyond PY2003 as SBX1 5 funds are exhausted. Instead, we will address the SMJUs' post-2003 LIEE program plans through the application process, where the SMJUs, their ratepayers and other interested parties will have ample notice and opportunity to participate. As part of this process, we expect the SMJUs to document their achievements to date in the LIEE program, estimate the remaining need for weatherization and energy efficiency services within their service territories, and develop program plans and associated budgets that will address that need in a reasonable manner and timeframe.

6. Assignment of Proceeding

Carl Wood is the assigned Commissioner and Meg Gottstein is the assigned ALJ in this proceeding.

[33] Southwest Gas' Comments on Draft Decision, p. 6.

Findings of Fact

1. The penetration rates adopted in this decision move each of the SMJUs at a meaningful pace towards the Commission's goal of 100% program penetration. At the same time, they acknowledge the differences in demographics, magnitude of eligible low-income population, differences in where each utility stands today with respect to program accomplishments, and other factors.

2. All of the SMJUs are expanding their outreach efforts under their CARE programs, which should allow them to achieve the minimum penetration targets adopted in this decision. Maintaining that effort through PY2004 is necessary to continue our progress towards 100% program penetration.

3. The SMJUs have presented reasonable explanations of why their estimated percentage of CARE-eligible customers varies from the statewide norm, based on the information currently available to them.

4. Increasing PacifiCorp's CARE outreach budget should increase enrollment rapidly, given the relatively low CARE participation rate at this time.

5. Based on year-to-date actual expenditures, it appears that Sierra Pacific and Bear Valley will need to utilize more SB5 funds during 2002 than they originally proposed in their applications.

6. By using available SB5 funds, Southwest Gas can increase its CARE budget for PY2003 substantially without implementing the full $90,000 increase in ratepayer funding that Southwest Gas proposes in its application.

7. Limiting Southwest Gas' use of SB5 funds for mass media marketing to $17,500 is consistent with the statutory limits and the Commission's policies regarding mass media funding.

8. As discussed in this decision, outsourcing the processing of CARE applications may offer significant advantages from a total community resource perspective, particularly for those SMJUs with limited in-house resources and

existing referral contracts with DCSD. We will have more information with which to assess this issue when Energy Division completes the audits directed by today's decision.

9. Re-certifying the eligibility of CARE program participants every two years is consistent with established program practices.

10. Alpine's practice of re-certifying CARE enrollees more frequently (i.e., every year) works well for its current program through DCSD.

11. Conducting post-enrollment verifications of CARE customer eligibility is consistent with established program practices. However, the extremely small size of West Coast Gas' and Alpine's CARE-eligible population render this practice cost-prohibitive for their programs.

12. West Coast Gas' proposed level of ratepayer funding for PY2003 CARE program plans does not reflect the availability of unexpended SB5 appropriations.

13. PacifiCorp's proposed budget for its LIEE program does not utilize the full amount of ratepayer funding currently authorized in rates.

14. Southwest Gas' proposed SB5 funding for LIEE administrative costs exceeds the administrative cost limit established by the statute and reflected in implementation contracts with the Commission. However, the cost limit calculated by Energy Division in its recommendations does not reflect updated expenditures levels for PY2002, and is too low for that reason.

15. Southwest Gas' request for an additional $10,000 in ratepayer funding for LIEE outreach was proposed in anticipation that their SB5 funds would completely run out before the end of 2003, which is not indicated from the expenditure data on the record.

16. Energy Division's recommendations for Southwest Gas' PY2003 LIEE budget does not reflect certain base administrative budget costs that were contained in Southwest Gas' application and reported to Energy Division.

17. The data provided by PacifiCorp for treated and weatherized homes does not appear to reflect the comprehensive treatment of each eligible home.

18. Southwest Gas' proposal to use LIEE funds for general energy efficiency education activities is inconsistent with the manner in which these programs are funded by PG&E and other larger utilities, and would not focus on educating LIEE-customers as an integral component of the program.

19. Establishing funding levels for PY2004 LIEE programs would be premature at this time, given the relatively new status of some of the SMJUs' LIEE activities and the lack of sufficient information to evaluate program plans and funding beyond the coming year.

20. Given the nature of the housing stock within West Coast Gas' service territory, the utility's proposal for an LIEE referral program represents a practical approach to leveraging other state resources, should those customers need further assistance in minimizing their energy bills through energy efficiency measures.

21. Alpine's proposal to refer customers to PG&E's LIEE program for direct assistance appears to be a reasonable approach, given the lack of in-house resources and very small number of eligible customers within Alpine's service territory. However, there is no information on the record describing the specific arrangements for the program or how the costs associated with such services will be funded and recovered in rates.

22. Current guidelines for low-income assistance programs requires each utility to install all measures that it offers under the LIEE program in each eligible home, when it is feasible to do so.

23. Funding general energy efficiency education under non low-income energy efficiency programs is consistent with the current practice of PG&E and other larger utilities. Using LIEE funds for this purpose would dilute the focus of the program and reduce the level of direct educational services to program-eligible customers.

24. Sierra Pacific's proposed increases in ratepayer funding for PY2003 low-income assistance programs, coupled with the continued availability of SB5 appropriations, will enable Sierra Pacific to continue its rapid deployment efforts to meet CARE goals and aggressively provide LIEE measures to eligible customers.

25. Given the availability of SB5 funds through 2003, Southwest Gas does not need to increase ratepayer collections to cover CARE administrative costs by more than approximately $15,400 at this time.

26. Establishing two-way balancing accounts for the SMJUs' CARE expenditures and one-way balancing accounts for their LIEE expenditures is consistent with the policies and determinations of this Commission, and the Legislature, with regard to the ratemaking treatment for low-income assistance programs.

27. Requiring the SMJUs to carry over any under-expenditures in the LIEE program in a given year to augment the next year's program budget is consistent with current Commission policy for the larger utilities.

28. The selection of LIEE measures and services in the field will necessarily depend on the specific condition of the home and needs of the low-income household, which cannot be accurately reflected in the program budget categories.

29. The SMJUs do not consistent track and report low-income assistance program expenditures in a manner that facilitates program review and comparisons across utilities.

30. The large investor-owned utilities do not provide efficient microwave ovens as part of their LIEE programs, and this measure is not included in the current assessment of cost-effectiveness of LIEE measures. However, the record indicates that some of the SMJUs (e.g., Sierra Pacific) currently offer this measure.

31. Extensions to the SMJUs contracts with the Commission for the use of SB5 funds are needed in order to continue program funding without disruptions.

32. A financial and management audit of PY2003 and PY2004 LIEE and CARE programs will enable the Commission to assess the reasonableness of program expenditures and accounting procedures, and provide important information to assist in improving the SMJUs programs in the future.

33. Allocating audit costs on a 70% / 30% basis between the SMJUs' CARE and LIEE balancing accounts is consistent with our current allocation of shared costs for the larger utilities.

Conclusions of Law

1. The CARE PY2003 and PY2004 penetration targets recommended by Energy Division, as modified in this decision for Southwest Gas, represent reasonable minimum thresholds for performance for the SMJUs, and should be adopted.

2. The SMJUs' estimates of eligible population for the purpose of calculating penetration rates should be used until the results of the Need Assessment Study can be evaluated for the development of a more precise method.

3. For the reasons discussed in this decision, each of the SMJUs should comply with the requirements that they use no more than 10% of SB5 CARE

funding for CARE mass media outreach and no more than 12.5% of SB5 LIEE funding for LIEE administration costs.

4. Each SMJU should arrange to re-certify CARE enrollees every two years; however, it is reasonable to afford Alpine the option of continuing with its annual re-certification process.

5. With respect to PY2004 program plans, the SMJUs should continue the rapid deployment CARE program outreach efforts and overall program budgets (SB5 and non-SB5 combined) adopted today and file advice letter requests for increased ratepayer funding as SB5 funds become exhausted.

6. West Coast Gas and Alpine should proceed to utilize the unexpended SB5 funding that was authorized in 2002 without further delay.

7. By the end of 2003, all the SMJUs should fully expend the SB5 funds authorized today for PY2003 CARE and LIEE program activities.

8. As discussed in this decision, funding for general energy efficiency education (e.g., school, community and other general presentations) should come from the SMJU’s energy efficiency program budget, although it is appropriate to utilize LIEE funds to support specific LIEE program education / outreach at such general energy efficiency education events.

9. West Coast Gas’ proposal to refer its customers to local sources of information and assistance on energy conservation services is reasonable, given the current housing and appliance stock within its small service territory. However, the issue of whether West Coast Gas should offer services directly to its customers should be revisited in the event that West Coast Gas’ service territory includes older homes that do not meet Title 20 and Title 24 requirements.

10. As discussed in this decision, Alpine should augment its LIEE referral plan proposal with specific information that describes the referral arrangements it has made with PG&E, as well as the funding and ratemaking aspects of the proposal.

11. Energy Division's recommendations regarding the PY2003 LIEE budgets and program plans for Avista, Bear Valley, PacifiCorp, Sierra Pacific and Southwest Gas, as modified by this decision, are reasonable and should be adopted. SMJUs may shift funding among the LIEE budget categories of "Weatherization," "Energy Efficiency Measures" and "Energy Efficiency Education," as appropriate, to meet the needs of their low-income customers.

12. As discussed in this decision, increases in ratepayer contributions from Southwest Gas' and Sierra Pacific's customers is needed at this time to proceed with PY2003 program plans, and should be authorized.

13. SMJUs that do not currently have balancing accounts for their low-income assistance programs should establish them without delay, consistent with this decision.

14. Energy Division's recommendations to improve program cost tracking and reporting and to conduct an audit of the LIEE and CARE programs are reasonable and should be adopted. The SMJU's share of audit costs allocated to the LIEE balancing account should be added to its approved LIEE budget for that year.

15. ORA's recommendation to evaluate the savings and costs of offering microwaves under the LIEE program is reasonable, and should be adopted.

16. Evidentiary hearings are not needed to address the low-income assistance issues in this proceeding.

17. In order to proceed with PY2003 low-income assistance activities without delay, this order should be effective today.

18. Because all issues have been addressed in this decision, this proceeding should be closed.

FINAL ORDER

IT IS ORDERED that:

1. The California Alternate Rates For Energy (CARE) program plans proposed by the small and multi-jurisdictional utilities (SMJUs) for program year (PY) 2003 are reasonable, subject to the following modifications:

(a) Avista Utilities (Avista), PacifiCorp, and Sierra Pacific Power Company (Sierra Pacific) shall take the necessary steps to arrange for the re-certification of CARE enrollees every two years.

(b) With the exception of West Coast Gas Company (West Coast Gas or WCG) and Alpine Natural Gas Company (Alpine), each SMJU shall also arrange for the random post-enrollment verification of eligible customers.

(c) Each SMJU shall use no more than 10% of Senate Bill X1 5 (SB5) funds authorized by the Commission for CARE outreach on mass media outreach.

2. The Low-Income Energy Efficiency (LIEE) program plans proposed by the SMJUs for PY 2003 are reasonable, subject to the following:

(a) Within 30 days from the effective date of this decision, Alpine shall file an advice letter describing and documenting the arrangement it has with Pacific Gas and Electric Company (PG&E) or any other organization to provide LIEE services to its low-income customers, and how the costs associated with such services will be funded and recovered in rates. As discussed in this decision, all gas measures installed via the referral program shall be funded by Alpine's ratepayers.

(b) Each SMJU shall install all measures that it offers under the LIEE program in each eligible home, when it is feasible to do so, consistent with the guidelines that the Commission has established for the larger utilities.

(c) As discussed in this decision, Southwest Gas Company (Southwest Gas) and other SMJUs shall apply all of the LIEE education/outreach budget towards low-income energy education and outreach as an integral component of its LIEE program, and use energy efficiency program funds for general energy efficiency education activities. However, LIEE program funds may be used, as appropriate, to support specific LIEE program education or outreach at such general energy efficiency education events.

(d) West Coast Gas shall provide updated information on whether its housing stock continues to meet Title 20 and Title 24 requirements in each annual CARE report.

(e) The SMJUs that are offer energy efficient microwaves under their LIEE programs using SB5 or ratepayer funds shall jointly prepare an analysis to determine whether this measure provides meaningful savings for LIEE participants, and at what cost to non-participating customers. The analysis shall be filed and served as a report in Rulemaking (R.) 01-08-027 (or successor proceeding) by November 1, 2003. Comments are due 20 days after the date of filing and replies are due 15 days thereafter. The SMJUs that currently provide microwave ovens shall meet informally with Energy Division staff to develop a consistent framework for this joint analysis and report. The results of the analysis, and comments, shall be considered during the development of post-2003 program plans.

(f) SMJUs shall maintain SB5 funding of LIEE administrative costs at no more than 12.5% of their respective SB5 LIEE funding allocations.

3. We adopt the following minimum thresholds for CARE penetration rates during PY2003 and PY2004:

Utility	2003 Target	2003 Projected Enrolled	2003 Incremental Increase	2004 Target	2004 Projected Enrolled	2004 Incremental Increase
Avista	70%	846	235	85%	1,027	181
PacifiCorp	60%	8,556	5,796	70%	9,982	1,426
Sierra Pacific	80%	1,840	511	90%	2,070	230
Bear Valley	75%	1,522	422	85%	1,726	204
Southwest Gas	91%	22,936	2,769	93%	23,440	504
Alpine	100%	22	9	100%	33	11
West Coast Gas	100%	20	12	100%	25	5

4. We adopt funding levels for CARE and the LIEE programs, as follows:

Authorized LIEE Program Budget					Authorized CARE Program Budgets				
	PY 2003		Remain-ing SB 5 for PY 2004(1)		PY 2003		PY 2004		Remain-ing SB 5 for PY 2004(1)
Utility	SB 5	Non-SB 5		Utility	SB 5	Non-SB 5	SB 5	Non-SB 5(4)	
Avista			$28,925	Avista					$0
Weatherization	$116,000	$0		Outreach	$10,000	$18,800	$0	$28,800	
EE Measures	$0	$80,340		Proc/Cert/Ver	$0	$11,800	$0	$11,800	
EE Education	$0	$1,640		General	$0	$5,500	$0	$5,500	
Subtotal	$116,000	$81,980		Subtotal	$10,000	$36,100	$0	$46,100	
PacificCorp			$0	PacifiCorp					$0
Weatherization	$109,450	$79,550		Outreach	$36,000	$7,500	$0	$43,500	
EE Measures	$12,000	$18,891		Proc/Cert/Ver	$20,500	$12,000	$0	$32,500	
EE Education	$0	$9,891		General	$0	$2,500	$0	$2,500	
Subtotal	$121,450	$108,332		Subtotal	$56,500	$22,000	$0	$78,500	
Sierra Pacific(2)			$0	Sierra					$10,000
Subtotal	$1,056,572	$100,000		Outreach	$15,000	$4,378	$10,000	$9,378	
				Proc/Cert/Ver	$0	$7,446	$0	$7,446	
				General	$0	$0	$0	$0	
				Subtotal	$15,000	$11,824	$10,000	$16,824	
Bear Valley			$392,094	BVES					$20,000
Weatherization	$1,813	$0		Outreach	$50,000	$1,550	$20,000	$31,550	
EE Measures	$390,779	$0		Proc/Cert/Ver	$0	$850	$0	$850	
EE Education	$17,400	$0		General	$0	$0	$0	$0	
Subtotal	$409,992	$0		Subtotal	$50,000	$2,400	$20,000	$32,400	
Southwest Gas			$147,174	SWG					$35,000
Weatherization	$641,554	$460,000		Outreach	$124,213	$8,501	$35,000	$97,714	
EE Measures	$962,666	$0		Proc/Cert/Ver	$0	$20,402	$0	$20,402	
EE Education	$0	$40,000		General	$0	$5,100	$0	$5,100	
Subtotal	$1,604,220	$500,000		Subtotal	$124,213	$34,003	$35,000	$123,216	
West Coast Gas(3)	$0	$0		WCG					$0
				Outreach	$0	$0	$0	$0	
				Proc/Cert/Ver	$1,500	$0	$740	$760	
				General	$0	$1,100	$0	$1,100	
				Subtotal	$1,500	$1,100	$740	$1,860	
Alpine(3)	$0	$0		Alpine(5)					$0
				Outreach	$0	$709	$0	$709	
				Proc/Cert/Ver	$0	$1,579	$0	$1,579	
				General	$0	$1,339	$0	$1,339	
				Subtotal	$0	$3,627	$0	$3,627	
TOTAL	$3,308,234	$790,312	$568,193	TOTAL	$257,213	$111,054	$65,740	$302,527	$65,000

(1) Remaining PY 2004 SB 5 funds is total SB 5 funds allocated to each utility less the SB 5 funds expected to be used in PY 2002 and PY 2003.

(2) Sierra Pacific was unable to provide further breakdown of its expenditures by category.

(3) WCG and Alpine are not requesting funding for their LIEE referral programs.
(4) Ratepayer (non-SB5) funding levels for PY2004 are estimates based on remaining SB5 funds.
(5) Alpine exhausted its SB5 funding in PY 2002.

5. By September 15, 2003, the SMJUs shall file advice letters for rate increases that will enable them to continue today's adopted PY2003 level of CARE program funding through PY2004, once SB5 funds have been exhausted. Southwest Gas and Sierra Pacific shall calculate the surcharges presented in these filings based on the forecasted 2004 base margin sales established in their general rate case proceedings, Application (A.) 02-02-012 and A.01-06-041, respectively. All the SMJUs shall include information on program outreach activities and expenditures to date, as well as updated CARE penetration rates. Even though Alpine is funding the program entirely with ratepayer funds at this time, it shall file an advice letter to request authorization to continue the same level of contribution for PY2004, and provide the information requested above. The advice letters shall address only the issue of rate increases needed to replace SB5 funding as a continuation of the overall program funding levels (the combination of SB5 and non-SB5) we adopt today. We will not entertain proposals to modify these overall funding levels through the advice letter process.

6. By July 1, 2003, the SMJUs shall file applications for approval of their PY2004 LIEE program plans, budgets and associated increases in ratepayer collections needed to fund their proposals. In their applications, the SMJUs shall document their achievements to date in the LIEE program, estimate the remaining need for weatherization and energy efficiency services within their service territories, and develop program plans and associated budgets that will address that need in a reasonable timeframe. Energy Division shall hold public workshops on the applications, and file a Workshop Report with recommendations on program plans and funding levels no later than September 5, 2003. Comments are due 20 days thereafter.

7. The Assigned Commissioner in R.01-08-027 (or successor proceeding) shall establish by ruling a schedule for the SMJUs' PY2005 CARE and LIEE program planning process.

8. Southwest Gas is authorized to increase ratepayer collections for PY2003 low-income assistance programs as follows:

	Funding Authorized D.94-12-022	2003 Expected Collections	Authorized Ratepayer Funding Increase for PY 2003	Total Authorized Ratepayer Funding PY 2003
Weatherization	$235,926	$235,926	$224,074	$460,000
Energy Education	$75,637	$75,637	(35,637)	$40,000
LIEE outreach	$0	$0	$0	$0
LIEE Total	$311,563	$311,563	$188,437	$500,000
CARE admin(1)	$18,602	$18,602	$15,401	$34,003
CARE subsidy	$655,920	$706,250	$2,361,750	$3,068,000
CARE Balancing Acct Recovery(3)	Authorized A.L. 638	$0	$2,071,920	$2,071,920
CARE Total	$674,522	$724,852	$4,449,071	$5,173,923
Low-Income Total	$986,085	$1,036,415	$4,637,508	$5,673,923

9. Sierra Pacific is authorized to increase ratepayer collections for PY2003 low-income assistance programs as follows:

	Funding Authorized D.97-12-093	Expected Collections at Current Rates	Authorized Ratepayer Increase for PY2003	Total Authorized Ratepayer Funding for PY2003
CARE Admin	$6,000	$6,515	$5,309	$11,824
CARE Subsidy	$110,033	$119,485	$49,691	$169,176
CARE total	$116,033	$126,000	$55,000	$181,000
LIEE	$82,000	$90,000	$10,000	$100,000
CARE & LIEE Total	$198,033	$216,000	$65,000	$281,000

10. The surcharge to recover the authorized increases in ratepayer funding for PY2003 LIEE and CARE programs, as presented in Ordering Paragraphs 6 and 7, shall be calculated as part of Southwest Gas' and Sierra Pacific's pending general rate cases, A.02-02-012 and A.01-06-041, respectively.

11. Within 30 days from the effective date of this decision, Sierra Pacific and PacifiCorp shall each file an advice letter to establish a two-way balancing account for CARE and one-way balancing account for LIEE program expenditures. Within the same timeframe, Southwest Gas shall file an advice letter to establish a one-way balancing account for LIEE program expenditures and West Coast Gas shall file an advice letter to establish a two-way CARE balancing account. In developing their advice letter filings, Sierra Pacific, Southwest Gas, PacifiCorp and West Coast Gas shall review the low-income assistance program balancing account tariffs of other utilities already on file at the Commission, in consultation with Energy Division.

12. The SMJUs shall track all LIEE costs using the weatherization, energy efficiency measures/appliances and energy education categories described in Decision (D.) 01-03-028. Sierra Pacific shall provide a specific cost breakdown within the measures category of its renewable heat pump program and continue to work with Energy Division per D.01-08-065 on collecting relevant information for the Commission's review of this pilot program. The SMJUs shall also track the number of weatherized and treated homes as defined in this decision and reported by the larger utilities (e.g., PG&E) in their monthly status reports. The SMJUs shall track CARE and LIEE costs separately and provide the same CARE program budget categories required for the CARE annual reports due August 1st of each year, pursuant to Decision (D.) 95-07-019. Within each budget category, the SMJUs shall also break down program costs to show SB5 and ratepayer-funded expenditures. For their LIEE programs, the SMJUs shall report the information required by today's decision in each annual LIEE report, and develop the capability to provide this information upon request by Energy Division or the Commission.

13. Energy Division shall hold workshops as soon as practicable to communicate with the SMJUs the information requirements of this decision and other accounting or reporting issues that Energy Division finds relevant, including the types of CARE outreach expenditures for which SB5 funds can be utilized. Each SMJU shall send accounting staff to these workshops that have authority to modify the utility's accounting practices for the low-income assistance program, as needed. The workshops shall also be the forum to consider synchronizing the annual CARE reports required under D.95-07-019 with the CARE reporting required by this decision.

14. As discussed in this decision, Energy Division shall draft extensions to the SB5 funding contracts with the SMJUs, as needed, and the SMJUs shall execute those contract extensions without delay.

15. As discussed in this decision, the SMJUs' low-income assistance programs are subject to a financial and management audit. The SMJUs shall close their books for PY2003 and PY2004 by March 15 of the following year to facilitate an Energy Division audit of all CARE and LIEE program expenditures during those program years. In addition to examining whether these expenditures were reasonably incurred and booked to the appropriate accounts, Energy Division shall examine whether they are "incremental costs," that is, not provided for in the utility's base rates. Energy Division shall also present recommendations on how the utilities should report and recover CARE administrative and LIEE program costs on a more consistent basis in the future, and on whether any recorded PY2003 or PY2004 expenditures should be disallowed for cost recovery.

16. Energy Division's reports for the PY2003 and PY2004 financial and management audits required by this decision are due by August 1, 2004 and August 1, 2005, respectively. The reports shall be filed in R.01-08-027, or its successor proceeding. Energy Division may perform the audit itself or hire independent contractors for this purpose. We delegate the task of approving the budget, allocating the budget among the SMJUs and establishing a schedule for the audit to the Assigned Commissioner in R.01-08-027. The costs of the audit shall be recovered by ratepayers through the program balancing accounts, consistent with the procedures established for the audits ordered in D.02-09-021. The audit costs shall be split between CARE and LIEE balancing costs on a 70% / 30% basis. The share of audit costs allocated to the LIEE balancing costs shall be added to the SMJUs' LIEE budget for that year. The Assigned

Commissioner in R.01-08-027 shall establish a schedule for comments on Energy Division's reports and address other procedural matters related to the audit.

17. As part of the financial and management audits described above, Energy Division shall examine program accomplishments and relative costs in order to make comparisons across the SMJUs with respect to "best practices" that may serve to guide future program plans. In addition, as discussed in this decision, Energy Division shall further evaluate the relative costs and benefits of having the SMJUs process CARE applications in-house, versus outsourcing to community agencies. These evaluations shall be included in the August 1, 2005 audit report.

18. The Assigned Commissioner in R.01-08-027, in consultation with Energy Division and the assigned Administrative Law Judge, may initiate additional audits of CARE and LIEE expenditures after-the-fact, should the Energy Division reports indicate that further examination is needed.

19. The Assigned Commissioner may, for good cause, modify the due dates set forth in this decision.

20. The program plans and annual funding levels for low-income assistance programs established by this decision are effective until further Commission order.

21. Unless otherwise indicated, all filings, reports and other submittals required by this decision shall be filed with the Commission Docket Office and served electronically on the service list in R.01-08-027, or its successor proceeding. Service by U.S mail is optional, except that one hard copy shall be mailed to the assigned Administrative Law Judge. In addition, if there is no electronic mail address available, the electronic mail is returned to the sender, or the recipient informs the sender o an inability to open the document, the sender shall immediately arrange for alternate service (regular U.S mail shall be the

default, unless another means is mutually agreed upon). Parties that prefer a hard copy or electronic file in original format in order to prepare analysis and filings in this proceeding may request service in that form as well. The current service list for this proceeding is available on the Commission's web page, www.cpuc.ca.gov.

22. We modify the preliminary determinations made in Resolution ALJ 176-3091 and 176-3092 and make a final determination that evidentiary hearings are not required in these proceedings.

23. A.02-07-009, A.02-07-013, A.02-07-016, A.02-07-017, A.02-07-018, A.02-11-050 and A.02-11-024 are hereby closed.

This order is effective today.

Dated March 13, 2003, at San Francisco, California.

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

ATTACHMENT 1

List of Acronyms and Abbreviations

A.	Application
ALJ	administrative law judge
Alpine	Alpine Natural Gas Company
Avista	Avista Utilities
Bear Valley or BVEC	Bear Valley Electric Service
CARE	California Alternate Rates for Energy
CEDCS	Tahoe Branch of the County of El Dorado Community Services
D.	Decision
DCSD	Department of Community Services and Development
LIEE	Low-Income Energy Efficiency
ORA	Office of Ratepayer Advocates
p.	page
PG&E	Pacific Gas and Electric Company
pp.	pages
PPMA	Public Purpose Program Memorandum Account
PY	Program Year
R.	Rulemaking
SB5	Senate Bill X1 5
SCE	Southern California Edison Company
Sierra Pacific	Sierra Pacific Power Company
Southwest Gas or SWG	Southwest Gas Company
“the SMJUs”	Sierra Pacific Power Company, Southwest Gas and West Coast Gas, collectively
West Coast Gas or WCG	West Coast Gas Company
Wherry Area	formerly Mather Air Force Base

(END OF ATTACHMENT 1)

ATTACHMENT 2

SB5 Funding Levels, Proposed Budgets and
Energy Division Recommendations
for the SMJUs' CARE Programs

	CARE SB5 Funding		
Utility	Authorized Outreach	Authorized Subsidy	Contract End Date
Avista	$20,000	$35,247	09 / 30 / 03
PacifiCorp	$85,000	$175,933	06 / 30 / 03
Sierra Pacific	$40,000	$94,499	09 / 30 / 03
Bear Valley	$80,000	$48,707	03 / 31 / 04
SWG	$175,000	$818,905	12 / 31 / 03
WCG	$2,240	$2,077	8 / 31 / 04
Alpine	$2,895	$3,000	8 / 31 / 04
Totals	$405,135	$1,178,368	

The following table summarizes the utilities proposed CARE administration SB 5-funded expenditures and the Energy Division's recommendations:

		Utility Proposed			Energy Division Recommendations		
Utility	Auth SB 5 CARE	2002 Expected	2003 Proposed	2002 YTD	PY 2002	PY 2003	Remaining PY 2004
Avista	$20,000						
Outreach		$10,000	$10,000	$0	$10,000	$10,000	$0
PacifiCorp	$85,000						
Outreach		$8,000	$8,000	$0	$8,000	$36,000	$0
Process / Cert / Ver		$32,500	$32,500	$0	$20,500	$20,500	$0
General		$2,000	$2,000	$0	$0	$0	$0
Sierra	$40,000						
Outreach		$10,000	$15,000	$7,815	$15,000	$15,000	$10,000
BVES	$80,000						
Outreach		N / P	$50,000	$1,000	$10,000	$50,000	$20,000
SWG	$175,000						
Outreach(1)		$50,787	$124,213	$11,146	$50,787	$124,213	$35,000
WCG(2)	$2,240						
Outreach		$0	$0	$0	$0	$0	$0
Process / Cert / Ver		$0	$0	$0	$0	$1,500	$740
Alpine	$2,895						
Outreach		$1,448	$0	$1,448	$1,448	$0	$0
Process / Cert / Ver		$1,447	$0	$1,447	$1,447	$0	$0
TOTAL SB 5	$405,135	$116,182	$241,713	$22,856	$117,182	$257,213	$65,740

N/P: Not provided by the utility.

(1) SWG incurred $463 in SB 5 funds for its targeted outreach in 2001.
(2) WCG has not expended any SB 5 funds for its CARE program.

The following table shows utility actual and proposed expenditures and Energy Division recommendations for CARE administration using ratepayer funds:

		Utility Actual and Proposed				Energy Division Recommendations	
Utility	Authorized CARE admin	2001 Actual	2002 Expected	2003 Proposed	2002 YTD	PY 2003	PY 2004
Avista	$6,922						
Outreach		$3,743	$4,524	$18,800	$1,586	$18,800	$28,800
Process/Cert/Ver		$1,417	$3,952	$11,800	$7,848	$11,800	$11,800
General		$3,167	$7,008	$5,500	$246	$5,500	$5,500
PacifiCorp	$8,671						
Outreach		$5,000	$7,500	$7,500	$0	$7,500	$43,500
Process/Cert/Ver		$7,500	$10,000	$12,000	$4,000	$12,000	$32,500
General		$0	$2,500	$2,500	$0	$2,500	$2,500
Sierra	$6,000						
Outreach		$3,784	$3,784	$4,378	$1,892	$4,378	$9,378
Process/Cert/Ver		$1,846	$5,374	$7,446	$2,687	$7,446	$7,446
General		$0	$0	$0	$0	$0	$0
BVES	$2,400						
Outreach		$972	$850	$850	$747	$1,550	$31,550
Process/Cert/Ver		$0	$150	$150	$0	$850	$850
General		$0	$0	$0	$0	$0	$0
SWG	$18,602						
Outreach		$5,206	N/P	$98,501(1)	$1,993	$8,501	$97,714
Process/Cert/Ver		$12,230	N/P	$20,402	$4,542	$20,402	$20,402
General		$3,470	N/P	$5,100	$1,289	$5,100	$5,100
WCG	$0						
Outreach		$976	$2,143	$0	$1,255	$0	$0
Process/Cert/Ver		$250	$250	$1,500	$125	$0	$760
General		$750	$2,000	$1,100	$750	$1,100	$1,100
Alpine	$0						
Outreach		$0	$0	$709	$674	$709	$709
Process/Cert/Ver		$0	$0	$1,579	$1,504	$1,579	$1,579
General		$0	$558	$1,339	$1,275	$1,339	$1,339
TOTAL Ratepayer-funded	$42,595	$48,335	$50,593	$201,154	$26,830	$111,054	$302,527

(1) Includes $8,501 in outreach administration and $90,000 for target outreach.

The following table shows combined SB 5-funded and ratepayer-funded CARE administrative costs, as well as the Energy Division's recommendations. The Energy Division recommends PY 2004 be funded at the same level as PY 2003. The SMJUs should apply any remaining SB 5 funds to PY 2004 and file for rate increases to maintain PY 2003 program levels if SB 5 funds prove insufficient:

		Utility Actual and Proposed				Energy Division Recommendations		
Utility	Total Authorized CARE admin	2001 Actual	2002 Expected	2003 Proposed	2002 YTD	PY 2002	PY 2003	PY 2004
Avista	$26,992							
Outreach		$3,743	$14,524	$28,800	$1,586	$14,524	$28,800	$28,800
Process / Cert / Ver		$1,417	$3,952	$11,800	$7,848	$3,952	$11,800	$11,800
General		$3,167	$7,008	$5,500	$246	$7,008	$5,500	$5,500
PacifiCorp	$93,671							
Outreach		$5,000	$15,500	$15,500	$0	$15,500	$43,500	$43,500
Process / Cert / Ver		$7,500	$42,500	$44,500	$4,000	$30,500	$32,500	$32,500
General		$0	$4,500	$4,500	$0	$2,500	$2,500	$2,500
Sierra	$46,000							
Outreach		$3,784	$13,784	$19,378	$9,707	$18,784	$19,378	$19,378
Process / Cert / Ver		$1,846	$5,374	$7,446	$2,687	$5,374	$7,446	$7,446
General		$0	$0	$0	$0	$0	$0	$0
BVES	$82,400							
Outreach		$972	$850	$50,850	$1,747	$10,850	$51,550	$51,550
Process / Cert / Ver		$0	$150	$150	$0	$150	$850	$850
General		$0	$0	$0	$0	$0	$0	$0
SWG	$193,602							
Outreach		$5,206	$50,787	$222,714	$13,139	$50,787	$132,714	$132,714
Process / Cert / Ver		$12,230	N / P	$20,402	$4,542	N / P	$20,402	$20,402
General		$3,470	N / P	$5,100	$1,289	N / P	$5,100	$5,100
WCG	$2,240							
Outreach		$976	$2,143	$0	$1,255	$2,143	$0	$0
Process / Cert / Ver		$250	$250	$1,500	$125	$250	$1,500	$1,500
General		$750	$2,000	$1,100	$750	$2,000	$1,100	$1,100

Alpine	$2,895							
Outreach		$0	$1,446	$709	$674	$1,446	$709	$709
Process/Cert/Ver		$0	$1,447	$1,579	$1,504	$1,447	$1,579	$1,579
General		$0	$558	$1,339	$1,275	$558	$1,339	$1,339
TOTAL CARE Administration	$447,800	$50,311	$166,775	$442,867	$52,374	$167,775	$368,267	$368,267

ATTACHMENT 3

SB5 Funding Levels, Proposed Budgets and

Energy Division Recommendations

for the SMJUs' LIEE Programs

	SB5 LIEE FUNDING		
Utility	Per D.01-08-65		Contract End Date
Avista	$260,925		09 / 30 / 03
PacifiCorp	$173,950		06 / 30 / 03
Sierra Pacific	$1,276,620		09 / 30 / 03
Bear Valley	$814,086		03 / 31 / 04
SWG	$2,374,419		12 / 31 / 03
WCG	not applicable		
Alpine	not applicable		
Totals	$4,900,000		

The following table is a summary of SB 5 LIEE funding levels proposed by the utilities and the Energy Division's recommendations:

		Utility Actual and Proposed			Energy Division Recommendations
Utility	Authorized SB 5 LIEE	2002 Expected	2003 Proposed	2002 YTD	PY 2003
Avista	$260,925				
Weatherization		$116,000	$116,000	$0	$116,000
EE Measures		$0	$0	$0	$0
EE Education		$0	$0	$0	$0
PacifiCorp	$173,950				
Weatherization		$47,000	$109,450	$0	$109,450
EE Measures		$5,500	$12,000	$0	$12,000
EE Education		$0	$0	$0	$0
Sierra(1)	$1,276,620				
Total		$220,048	$1,056,572	$42,548	$1,056,572
BVES(2)	$814,086				
Weatherization		N / P	$1,813	N / P	$1,813
EE Measures		N / P	$390,779	N / P	$390,779
EE Education		N / P	$17,400	N / P	$17,400
Total		N / P	$409,992	$12,000	
SWG	$2,374,419				
Weatherization		$247,582	$641,554	$0	$641,554
EE Measures		$371,372	$962,666	$70,635	$962,666
EE Education		$0	$0	$0	$0
WCG	$0	$0	$0	$0	$0
Alpine	$0	$0	$0	$0	$0
TOTAL SB 5-funded	$4,900,000	$1,007,502	$3,308,234	$125,183	$3,308,234

(1) Sierra has incurred $38,400 in LIEE weatherization expenses and $2,100 for its Geothermal Exchange projects. Sierra was unable to provide further breakdown of its expenditures.

(2) BVES had no LIEE program prior to 2001 and is unable to provide any detailed breakout at this time.
(3) WCG and Alpine do not have LIEE programs.

The following table shows a summary of ratepayer-funded LIEE expenditures proposed by the utilities and Energy Division recommendations:

		Utility Actual and Proposed				Energy Division Recommendations
Utility	Authorized Ratepayer LIEE	2001 Actual	2002 Expected	2003 Proposed	2002 YTD	PY 2003
Avista	$81,980					
Weatherization		$79,244	$0	$0	$0	$0
EE Measures		$0	$80,340	$80,340	$0	$80,340
EE Education		$1,728	$1,640	$1,640	$0	$1,640
PacifiCorp	$108,332					
Weatherization		N / P	$69,287	$79,550	N / P	$79,550
EE Measures(1)		N / P	$7,310	$9,000	N / P	$18,891
EE Education(1)		N / P	$0	$0	N / P	$9,891
Total(1)		$81,582			$38,097	
Sierra(2)	$82,000					
Total		$92,000	$88,611	$100,000	$53,611	$100,000
BVES(3)	$0					
Total		$0	$0	$0	$0	$0
SWG	$311,563					
Weatherization		$214,439	$ 239,418	$470,000	$75,765	$460,000
EE Measures		$0	$0	$0	$0	$0
EE Education		$85,351	$ 72,145	$40,000	$36,796	$40,000
WCG	$0	$0	$0	$0	$0	$0
Alpine	$0	$0	$0	$0	$0	$0
TOTAL SB 5-funded	$583,875	$554,344	$ 558,751	$780,530	$204,269	$790,312

(1) PacifiCorp was unable to provide a cost breakout for 2001 and 2002 YTD LIEE expenditures. PacifiCorp's total LIEE expenditures for 2001 was $81,582. PacifiCorp's 2002 YTD costs total $38,097.
(2) Sierra was unable to provide a cost breakout for its PY 2002 and PY 2003 expenditures.
(3) BVES' LIEE program is fully funded by SB 5 funds.

The following table shows combined actual and proposed SB 5-funded and ratepayer-funded LIEE expenditures proposed by the utilities and the Energy Division's recommendations:

		Utility Actual and Proposed				Energy Division Recommendations
Utility	Total LIEE funding	2001 Actual	2002 Expected	2003 Proposed	2002 YTD	PY 2003
Avista	$342,905					
Weatherization		$79,244	$116,000	$116,000	$0	$116,000
EE Measures		$0	$80,340	$80,340	$0	$80,340
EE Education		$1,728	$1,640	$1,640	$0	$1,640
PacifiCorp	$282,282					
Weatherization		N / P	$116,287	$189,000	$0	$189,000
EE Measures(1)		N / P	$12,810	$21,000	$0	$30,891
EE Education(1)		N / P	$0	$0	$0	$9,891
Total(1)		$81,582			$38,097	
Sierra	$1,358,620					
Total		$92,000	$308,659	$1,156,572	$96,159	$1,156,572
BVES(3)	$814,086					
Total		$0	N / P	$409,992	$12,000	$409,992
SWG	$2,685,982					
Weatherization		$214,439	$487,000	$1,111,554	$75,765	$1,101,554
EE Measures		$0	$371,372	$962,666	$70,635	$962,666
EE Education		$85,351	$ 72,145	$40,000	$36,796	$40,000
WCG	$0	$0	$0	$0	$0	$0
Alpine	$0	$0	$0	$0	$0	$0
TOTAL SB 5-funded	$5,483,875	$554,344	$1,566,253	$4,088,764	$329,452	$4,098,546

(1) PacifiCorp was unable to provide a cost breakout for 2001 and 2002 YTD LIEE expenditures. PacifiCorp's total ratepayer-funded LIEE expenditures for 2001 was $81,582. PacifiCorp's 2002 YTD costs for ratepayer funds total $38,097. It is included in the 2002 YTD total of $159,547.